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LABOR UNION PLANS PEACE MOVEMENT ACTIVITY

Bonn DIE WELT in German 23 Jul 81 p 4

/Report by Guenther Bading, datelined Bonn/

/Text/ The German Labor Union Federation (DGB) intends not to leave the discussion on peace and disarmament to the political parties, the churches and the various followers of the communist controlled "Krefeld Appeal" only. Planned are a signature drive, a central demonstration featuring a speech by DGB chairman Heinz Oskar Vetter on the occasion of the "antiwar day" on 1 September--the anniversary of the outbreak of World War II--and many events to be organized by DGB Land districts and the various member unions. These activities are designed to direct into internal unionist channels the noticeable willingness of a majority of the 9 million union members to enter into a commitment to the peace movement.

By this program the DGB federal executive board reacted to the increasing criticism of its "inaction" from the various unions. DGB chairman Vetter made his attitude clear at the congress which adopted the new basic program in Duesseldorf last March: "Everybody calling for a reduction of the arms potential by one side only is dishonest and unrealistic. Those who give the nod to Pershing must also accept SS 20. We champion bilateral, balanced and supervised disarmament." Nevertheless many unionists--especially the younger ones--associated themselves with the Krefeld DKP appeal or the largely similar Bielefeld Appeal by left Social Democrats.

The trade union press repeatedly issued warnings against the Krefeld Appeal. The newspaper of the IG /industrial labor union/ Mining and Energy actually described it as a "tactical masterpiece of the DKP."

At its latest meeting the DGB federal executive board dealt with the demand for demarcation from the communist controlled sections of the so-called peace movement. The managing executive had initially decided that the DGB would participate in a march on Bonn planned for October by the Christian peace group "Action Sign of Atonement." This was intended to respond to the call for a peace march arising from some of the young unionists. However, when the full executive met to ratify the decisions of the managing executive, DGB head office had learned that representatives of other groups were collaborating in the organizing committee of the "sign of atonement" march, including Young Socialists, Liberals and also the DKP, DFU /German Peace Union/ and the DKP youth organization SDAJ /Socialist German Workers Youth/. The DGB thereupon promptly withdrew its promise.

This DGB attitude conforms to that of the leadership of most individual unions such as the IG Metal (2.8 million members), the largest of the 17 member unions. Deputy chairman Hans Mayr recently explained the IG Metal's attitude at an executive meeting in Frankfurt: IG Metal, he said, advocated disarmament--both in the East and the West.

CDU/CSU defense spokesman Wuerzbach welcomed the planned DGB peace appeal. He considered that it represented a rebuke to starry eyed idealists.

11698

CSO: 3103/399

RAF LAWYER CROISSANT ON PLANS, TERRORIST ATTITUDES

Paris LE MONDE in French 30 May 81 p 24

[Interview with Klaus Croissant, former lawyer in the FRG for members of the Red Army Faction, by Patrice Barrat; date and place not specified]

[Text] Four Years After Extradition—Master Croissant Has Returned to France.

Master Klaus Croissant, former lawyer in the FRG for imprisoned members of the Red Army Faction, came back to France Wednesday 27 May. When he was sought in 1977 as an "accomplice of the Baader gang," France had extradited him, a decision which had given rise to a great number of protests. Released in December 1979, Master Croissant was eager to settle in France, but it was not until the middle of this May that he was able to obtain assurances from the French interior minister that he would not be turned back at the border.

In the interview you will read below which we print for your information, Master Croissant sets out his views on terrorism, especially in Germany. In particular, he asserts with regard to the charge which can be made that he justifies terrorism, "If to understand something is to justify it, then that is what it is."

Struggling Against the "European Repressive Area"

[Question] Have you been intending for a long time to come back to France?

[Answer] Yes. From the time I was released from Stammheim in November 1979 I thought that there was no reason for me to be some kind of outlaw.

[Question] But why did you insist on coming back?

[Answer] It is not standard practice in Western Europe for a citizen to become a semi-exile in a country which belongs to the Community. And then I was aware that the interior minister who opposed my coming into France was not the French people.

There was only an internal memorandum in the Interior Ministry but there never had been any administrative document which I would have been able to contest in court.

With the help of my lawyer, Master Jacques Verges, I had for several months been trying to overturn this stand by the French Government. I intended to come back to France and confront Mr Bonnet with his responsibilities, force him by my being in France to issue an expulsion decree against me which I would have dealt with. Then, because of the hunger strike of the political prisoners in the FRG, I delayed my departure. And on 19 May, seeing as Master Verges had announced my imminent return, Mr Bonnet made the statement that the purely unofficial measure for turning me away had been cancelled.

So, here I am.

[Question] Do you really want to live in France?

[Answer] I want to try to work in France because in view of the attacks on basic rights which have occurred during the last 10 years in the FRG and other countries in Western Europe, I believe that thorough studies are called for of the situation with regard to the rights of the defendant, the right of asylum, and the conditions of imprisonment in Community countries. I would like to work on these issues bearing in mind the idea of struggling for freedom.

[Question] If it was the setting up of a European judicial area which made your extradition possible, are not such occurrences still possible?

[Answer] Things must be done so that it is no longer possible. Governments which support that notion to which you refer are thinking more in terms of a European repressive area.

[Question] There was a time when your words and deeds were a matter for the public domain. However, since your release a year ago, there is a certain silence surrounding you. Why?

[Answer] I have never made a decision to be silent; besides, I am speaking up now. The fact remains that the Federal Republic of Germany has succeeded in destroying the lawyer I used to be.

[Question] By what means?

[Answer] By a 4-year professional ban, by taking away my license, and by slandering me via the West German mass media as has been seen during my stay in France.

[Question] By way of introduction to a book about your trial ("Process en Republique federale allemande [Trial in FRG]," Cahiers libres, 353, Maspero, 1979), a French lawyer, Jean-Jacques de Felice, writes: "Klaus Croissant has not given in." To what and why have you not given in?

[Answer] To give in in the face of torture? No, I have not given in because the duty of a lawyer is to maintain the physical, mental and intellectual integrity of the clients he is defending. In the FRG there existed and still exists a special system of isolated confinement. This isolation system was developed during the 1960's in the United States, going by the name of the CIA's Project Blue Bird. Its goal was to break down the individual, the individual who had rebelled and was in fundamental opposition to the state.

The Situation in Germany

[Question] Does "white torture" still exist in the FRG?

[Answer] On several occasions since 1977, even as recently as March 1981, Amnesty International has warned the FRG and its officials with regard to respect for international human rights conventions. These warnings focus on the ban on torture and inhuman treatment which have been inflicted on certain prisoners. These are methods (extreme isolation, lights on day and night) which do not leave outward marks--their effect is psychosomatic.

In May 1975 at the time of the trial of the Red Army Faction members the doctors expressed their unanimous opinion that the special imprisonment conditions had rendered Andreas Baader, Ulrike Meinhof, Gudrun Ensslin and Jan Carl Raspe unable to appear in court. But imprisonment by isolation continues. During the last few months, 50 political prisoners in 14 prisons in the FRG and in Switzerland have gone on hunger strike. Their main demand is to be put together in groups in order to insure their survival as living beings and as political beings.

[Question] How did you live in Germany?

[Answer] I was unemployed...searching for what is called a "new prospect." I was living in Stuttgart where I have friends and even a 3-year-old son. You see, I lead a "normal" life. People imagine many things about me, starting with my being the main character of "international terrorism" which the FRG's Federal Criminal Office has made me out to be thanks to the close cooperation of certain newspapers. Well, people should not delude themselves about those things.

I can even say that I must have some sympathy among the people in Stuttgart for there was not a single example of aggression, even verbal aggression, against me. Quite the contrary. I am free, but the professional bans ("Berufsverbote") in the FRG still live on.

[Question] What is the path which led you to defend the Red Army Faction members even though you had specialized in business and press law?

[Answer] You know that to start with I defended students who had risen up in 1968. For me, to defend them was a clearcut matter: what did broken windows at the Maison d'Amerique or knocked-down window displays of the Shah of Persia represent compared with the crimes of American imperialism in Vietnam? And then, later on, after the student movement had failed, there was no question for me but to defend those who had resorted to armed struggle. The armed movement could not just fall out of the sky from nowhere. The FRG's socio-economic structures are responsible for its birth.

[Question] Are you convinced that there was "collective suicide" of the Stammheim prisoners in 1977?

[Answer] Four years later all known facts contradict the official version. For me there is no doubt that my clients Andreas Baader, Gudrun Ensslin, and Jan Carl Raspe, who were considered to be the leaders of the movement, were murdered. Those who were still out free were killed, in a restaurant like Willy Peter Stoll, or like Elizabeth von Dyck when she came back to her apartment which was full of policemen. And those among the prisoners who had resisted all attempts to break them down were liquidated. I am not saying that Mr Schmidt himself gave the order to assassinate them but that the killers used "the most extreme measures" (expression used by Maihofer, minister of the interior at the time), and went "to the limits of what the law allows" (Helmut Schmidt), by physically eliminating them. And then if one examines the facts, just one example: two guards testified they had seen the gun in Jan Carl Raspe's very hand when they found him dead in his cell. Now medical experts know that the weapon is never found in the suicide's hand itself.

[Question] How do you distinguish state terrorism from militant terrorism?

[Answer] The word "terrorism" does not explain anything; it appeals to the citizen's fear. To put it simply, I make a distinction between "state brutality," as Jean Genet said, the goal of which is to protect the interests of the ruling class, and the "violence" of rebels, who have the idea of putting an end to the exploitation of man by man and who set their sights on a plan for a classless society. I can guarantee that each of my clients maintains that he or she is a Marxist, a fighting communist.

[Question] Was there a political plan behind their struggle?

[Answer] Of course; read what they have written ("Red Army Faction Prisoner Texts," Maspero, 1978). Sure, it is obvious that this plan is not put into effect from one day to the next. It is a very long fight for the person who undertakes it, and it can lead to his death.

[Question] Is the individual logic of terrorism to die?

[Answer] Each person who fights has the intention of fighting and living. For them, the ones I defended, to live is to fight. These are people who prefer a life of fighting, even if it has to be a short life, to a slave's life. Each person who carries out armed struggle relates intellectually to his own death. That does not mean that these are suicidal people or desperadoes.

[Question] Was the factor of sympathy in public opinion important for the spirit of Red Army Faction members?

[Answer] But of course. Each resistance movement wants to be firmly rooted in the masses or else it cannot succeed. The idea is to succeed, not to fail. The four Stammheim prisoners were convinced that a group of people could not make the revolution alone.

[Question] What do you think about non-violence?

[Answer] Non-violence is a stand which seems logical (I may add that I defended conscientious objectors right up to the end, until my professional ban), but I am afraid that it is sheer utopianism. I am convinced that the non-violent option can, in certain political and social circles, amount to complicity with the oppressors. Think of El Salvador.

[Question] Are you not afraid of confusing the lawyer and the individual or militant?

[Answer] No, I do not have that problem. There are legal criteria but there are also moral and political criteria. I am in harmony with what I have done as a lawyer and with the opinions I express. It would be ridiculous to consider what I am saying as justification for terrorism; if to understand something is to justify it, then that is what it is! The fact of having defended the clients I have defended is, for me, an obligation which does not stop at their death. I am going to defend them until...well, my whole life.

[Question] Certain "ex-terrorists" are expressing their regret publicly these days.

[Answer] That is a phenomenon which takes place in all movements of armed struggle in the world. There are always individuals who can no longer bear the pressure which such a conflict necessarily involves. I do not have great respect for those who denigrate the struggle of their former comrades. For me, people who are transformed into instruments of State propaganda, whether freely or not, do not deserve the solidarity of the left. They must be left in the state apparatus which is stomaching them. May it make a good meal of them!

9631

CSO: 3100/862

BACKGROUND OF THREAT TO KREISKY FROM PALESTINIAN GROUP

Hamburg DER SPIEGEL in German 27 Jul 81 pp 95-96

[Article: "Breathing Heavily"]

[Text_]Palestinian "revolutionary committee of al-Assifa" issues murder threat. Eight members of terrorist group presumed to be in Vienna already. Its victim: Chancellor Kreisky.

Up-and-coming young Viennese journalist Renate Possarnig had her first big story while still working for the leftwing monthly, EXTRABLATT.

When Libyan chief of state Qaddafi refused to grant her an interview, Catholic Possarnig converted to Islam in Tripoli in 1978, raising official eyebrows but finally obtaining the interview she was after.

It started in a rather unusual fashion on a prayer rug behind a row of bookcases. "Qaddafi kissed me; he was breathing heavily," Possarnig related. The story was fun; everyone enjoyed it.

In May 1981, by this time working for the Austrian news magazine PROFIL, attractive Renate came up with her second big story, an interview in Damascus with three members of the Palestinian "revolutionary committee of al-Assifa," an offshoot of Arafat's PLO.

This time around, the story was not funny. No one was amused; many people took it seriously, since the terrorists were claiming credit for the spectacular assassination of Vienna city official Heinz Nittel and were referring to it as a "warning" for the Austrian chancellor.

"Kreisky must not interfere in our affairs," they were quoted as saying. "We will kill him, if he does not stop mediating between Israel and the PLO." The three, it must be understood, had since broken with the PLO.

The more time elapses since the publication of the interview, the greater is the significance attached to it by Austrian security officials. Interior minister Erwin Lanc says "there is reason to believe" that an Arab killer squad has already reached Vienna.

At first, the Austrians thought the al-Assifa group, small in number and eager for publicity, might be bluffing. Now, Lanc is worried that there may "be something to it" after all.

So far, there is no concrete evidence to prove that SPOe city councillor Nittel, a well-known supporter of Israel, was shot by Palestinians. The hottest trail now actually leads in the direction of the radical rightwing German military sports group Hoffmann. But there are a number of serious signs indicating that there is an acute threat to Kreisky.

Al-Assifa, numbering some 600 members at present, was founded in Baghdad in 1972 by a radical Palestinian named Abu Nidal, whose real name, according to Israeli sources, is Abd el-Rahim Ahmed and who was born in Jaffa near Tel Aviv in 1940.

Supported by Iraqi funds and Syrian supplies, Abu Nidal early embarked on a collision course against the relatively moderate Palestinian leader Arafat.

While Arafat appears ready to accept the help of obliging international statesmen in order to reach his goal by way of compromise and negotiation, Abu Nidal remains adamant.

And whoever accepts a Jewish state side-by-side with a Palestinian state is a traitor in his eyes; and so is anyone who works for peace in the Near East, like Arafat's friend Kreisky.

It is a proven fact that Abu Nidal is a man of few scruples. The assassins of both the London PLO delegate Said Hammami in 1978 and of the Brussels PLO representative Naim Khader in the spring of 1981 were al-Assifa commandos.

Over the past 3 months, the official publication of Abu Nidal's group, "Falastine al-Thaura," carried several strongly-worded attacks against the Austrian head of government accusing him of playing the "role of a mediator and pimp."

An article entitled "Kreisky is playing with fire" says "everyone is familiar with Kreisky's previous attempts to get the Zionists and Sadat together." Now the Austrian is trying "to build similar bridges between the Zionist enemy and Arafat." Austria may only be a very small country but it is supporting the "international conspiracy" aiming to bring Zionist plans to fruition.

Austrian protests and representations to the Syrian government on whose territory al-Assifa is operating have been unsuccessful thus far. Austrian ambassador Franz Parak has protested to the Syrian foreign ministry several times asking that the terrorists' activities be curbed, but to no avail.

Nothing has happened. The al-Assifa office in the heart of Damascus is still in operation and "Falastine al-Thaura" is still being run off at a printing plant belonging to the Syrian air force.

Nor did Kreisky himself fare any better. He wrote a personal letter to Hafiz el-Assad; but Syria's president did not react to his appeal for intervention.

What made those responsible for Kreisky's safety most nervous of all was an incident that took place on the night of 15 June. Around midnight, some neighbors of the chancellor's residence at 15, Armbrustergasse discovered a young man wearing jeans climbing a fire escape and surveying Kreisky's apartments from above.

When they called out to him, he made a daring leap to the ground and disappeared in the darkness. The police, called to the scene, found no trace of him.

As if to underscore the heightened danger, a confidential warning by Arafat reached Vienna several days later. In it, the PLO chief advised the Austrians of the presence of an al-Assifa assassination squad in Vienna. A similar report was received from the Austrian embassy in Damascus.

The fact is that three suspicious Palestinians did arrive in Vienna by air on 18 June, as minister Lanc told PROFIL a few days ago. Five more came in by rail later. "We do not know whether these five are still in Vienna," Lanc said.

Erwin ("Lord") Lanc is now faced with the task of throwing up a bullet-proof cordon around the chancellor overnight.

Lately, some 30 men have been guarding the chancellor day and night. They are camping on the ground floor of his residence; they are getting in the way of his secretary, Margit Schmid and are stepping on each other's toes. As long-time members of the anti-terrorist squad "Cobra," they are all excellent marksmen.

Still, Lanc knows that even the most stringent measures may be of no avail, if worse came to worst. The lot Kreisky's residence stands on, in the wine district of Grinzing, slopes upward toward the rear and the view into it thus is unobstructed.

What is more, Kreisky has a weakness for boxers who offer a friendly welcome to any intruder; he has no use for German shepherds that bite.

Thus, little Austria's big power policies are claiming their due. Kreisky's penchant for joining the ranks of the powerful has led to his having to accept as a permanent companion the ever-present fear for his own life.

BRIEFS

TPAO, SHELL TO EXPLORE FOR OIL--Ankara, (Anatolian News Agency)--The Turkish Petroleum Corporation [TPAO] and Shell Oil Company will reportedly conduct a joint oil exploration over a 46,721 hectare area within Adana province. Officials of the Petroleum Agency General Directorate announced that TPAO and the Shell Company will each be granted oil exploration licenses for the operations they will carry out. In addition, a foreign company named "Union Texas Turkey, Inc." has applied to the Petroleum Agency General Directorate for a total of 24 oil exploration licenses to be allotted among the following oil districts: 8 to Siirt, 8 to Van, and 8 to Diyarbakir. [Text] [Istanbul MILLI GAZETE in Turkish 6 Jul 81 p 1] 9743

TPAO CONTINUES OIL EXPLORATIONS--Turkish Petroleum Corporation [TPAO] oil exploration operations are presently being conducted in the "Dincer" area, following those in the "South Dincer" area. According to TPAO officials, it has been determined that there is oil also in the Dincer area, located 1 kilometer away from the South Dincer area. However, owing to the imperviousness of the soil, no exploratory drilling could be done. TPAO Assistant Director General, Sureyya Ekim, announced that research is continuing despite the inability to begin production because of unsuitable soil. Ms. Ekim pointed out that studies are in progress to find new methods for extracting the oil which is located in soil that is tightly packed between adjacent layers of soil and therefore impervious. Results of seismic and geologic tests have shown that the oil in this area is of the same quality as the oil in the South Dincer area. If the oil in the Dincer area is extractable, it is thought that as much oil can be produced as was produced in the South Dincer area. [Text] [Istanbul MILLI GAZETE in Turkish 9 Jul 81 p 5] 9743

CRUDE OIL IMPORTS--Ankara, (ANKARA NEWS AGENCY)--The quantity of imported crude oil is observed to be quite high in comparison to last year. The data concerning the distribution of imports carried out during the January-April period show that the quantity of crude oil purchased has increased 46.1 percent in comparison to last year, and that the amount of foreign exchange paid for these imports has risen by 117.1 percent. The quantity of crude oil imported over the four month period rose from 2,437 thousand tons to 3,560 thousand tons, and the amount of foreign exchange paid for the imported oil rose from \$472.4 million to \$1.25 billion. According to the data, during the January-April period 849,494 tons of petroleum products were imported and \$231.7 million were paid out. Despite the decrease in the quantity of imported petroleum products, their value actually increased. Last year \$213.8 million were paid out for 1.46 million tons of petroleum products. This year, the most important item among the petroleum

products is the 492,694 tons of fuel oil, which cost \$106.5 million. The \$1.275 billion total of foreign exchange paid out for crude oil and petroleum products amounts to 42.6 percent of the \$2.9 billion of imports realized for the same period. Last year the ratio was 39.2 percent. A significant increase, in comparison to last year, is also noted in the quantity of imported industrial products. The \$956.1 million total value of industrial products imported last year reached \$1.49 billion this year. Among the industrial products, purchases of fertilizer rose from last year's 557,518 tons to this year's 585,663 tons, bringing with it an increase in the amount of foreign exchange paid from \$93.5 million to \$137.6 million. Foreign exchange paid for fertilizer registered a 47.2 percent increase. [Text] [Istanbul HURRIYET in Turkish 9 Jul 81 p 3] 9743

COAL SHORTAGE IN 1981--Istanbul--1981 coal production is expected to be around 3 million tons short of requirements. According to a study being made, 4,051 thousand tons of coal were produced in Turkey in 1979, but consumption during the same period amounted to 4,852 thousand tons, with the resulting gap being closed through purchases from abroad. Of this total consumption, 68 percent went to industry, 19 percent went to power plants, 6 percent went for heating, and 6 percent was used in transport. The study noted that 1981 production is expected to reach 4,356 thousand tons, but it emphasized that demand will increase to 7,339 thousand tons. It concludes that the approximately 3 million ton shortage will be alleviated through foreign purchases. [Text] [Istanbul DUNYA in Turkish 9 Jul 81 p 4] 9743

DOGANKENT-2 HYDROELECTRIC PLANT--Tirebolu, Giresun Province, (HURRIYET NEWS AGENCY)--Dogankent-2, Turkey's second subterranean hydroelectric power plant to become operational, (after the Samsun Hasan Ugurlu Ayancik hydroelectric plant), is reported to be producing 168 million kilowatt-hours of energy at the end of its first year of operation. State Hydraulic Works Director for the 7th. District, Zeki Demirci, noted that the Dogankent-2 hydroelectric plant, built over the Harsit stream in the Dogankent subdistrict of Tirebolu district, cost 742 million liras to complete. He continued as follows: Dogankent-2, which is Turkey's second operational subterranean hydroelectric plant, is fed water by means of control gates located over the Harsit stream and the Kavraz tributary. The water flows to the power plant through conduits that are 7,127 and 414 meters long. The power plant's force main is 2.5 meters in diameter and 2.8 meters in length. The power plant itself is 15 meters wide, 24 meters long, and 20 meters high. Annual saving realized from energy produced at the Dogankent-2 hydroelectric plant, based on the cost of energy produced at thermal power plants, amounts to 1.7 billion liras. Dogankent-2's contribution to the national economy, on the other hand, is 30 billion liras per annum. Work on the power plant began 7 years ago." [Text] [Istanbul HURRIYET in Turkish 12 Jul 81 p 9] 9743

CSO: 4654/90

STRAUSS FAVORS INVESTMENT OVER CONSUMPTION

Hamburg DIE ZEIT in German 24 Jul 81 p 10

/Article by Franz Josef Strauss: "The Republic Can Be Saved"/

/Text/ Everything the CDU and CSU predicted at the time of the 1980 Bundestag election campaign with regard to fateful developments and momentous decisions has been happening in 1981--only even faster and more disastrously. Government finances are shattered. The Federal Government lives off borrowing. Federal Chancellor Schmidt is compelled to raise new net borrowing this year to the unimaginable dimension of some DM35 billion. In 1982 the amount will achieve DM37-40 billion. It may well be that the money borrowed at the time will not even be enough to pay the interest on current debts.

The economic situation is somber. The Federal Government led by Helmut Schmidt has missed all four targets of a modern economy: Instead of full employment we have 1.3 million unemployed, instead of price stability inflation is running at above 5 percent, instead of a foreign trade balance we have the rapid decay of the current account, and instead of a growing gross national product an about 2 percent decline.

By their sloppy fiscal policies the liberal-socialist coalitions have shaken the financial bases of our state to their foundations. This proceeded simultaneously with a flood of promises--designed to catch the voters--and the cynical deceit of the citizens about the consequences of these policies.

The republic can be saved. But to make good the damage and put government finances in order cannot be a matter of miracle prescriptions with immediate effects. It must be a task for the next 10 years and should be begun at once. It is impossible to make the citizens aware of the problem without disclosing the causes of the budgetary decay and without the Federal Government replacing the hunt for scapegoats by autocriticism and the admission of its guilt. People are rarely converted to commonsense by their own appreciation, usually it takes the pressure of hard facts. That applies to Helmut Schmidt quite particularly.

Only a radical correction of policies can bring the necessary change:

-- A clear line must be drawn between that which is necessary and that which is desirable. At the same time the strictest criteria must be applied to the term "necessary."

-- Material planning and fiscal planning must once again agree.

-- Factor income, not transfers, decides the future of the social state. Consequently we must emphasize the growth of performance.

-- Better performance results in higher incomes, and that applies to the public agencies also. Work must not be vilified as a foretaste of hell, nor more leisure glorified as a foretaste of heaven.

-- Sociopolitical services must be based on rights earned and subject to the appreciation that every addition service given by the state in the past has resulted in atrophy of personal drive.

The capital sin of the Federal Government's earlier savings decisions has mainly consisted in the fact that these decisions affected investive measures, such as road construction, hospital construction, social housing and university construction, regional business promotion and improvement of the farming structure, but failed to make a beginning with the resolute restriction of the exaggerations of the social and educational state or the abuses in this field. I am proposing two basic principles:

1. There may be no sacred cows when it is a matter of reviewing expenditures. Otherwise we will be told "hands off" this and that sector, followed by an entire catalogue up to the point where nothing remains to be cut.

2. It is not the duty of the opposition to take this obligation off the shoulders of a government which has a respectable parliamentary majority. Majority spells responsibility, responsibility spells leadership, leadership spells decisionmaking. It is our duty to thoroughly scrutinize the ensuing government proposals, critically to appraise them and adopt an appropriate attitude. And, in case we should take over the government, we must know what we are going to do.

The "five wise men" have just confirmed that which the Union said long before the elections, and which has now become a cruel reality for every employee: Business has hit bottom, and no improvement is in sight. Obviously the experts do not believe that this Federal Government will be able to get a grip on the outstanding problems. They have therefore marked with an "f" for failure the financial and economic policies of the Federal Chancellor and his aides Lambsdorff and Matthoefer.

It will be imperative to remove all barriers to output and growth in our economy. Investments are vital. The investment backlog in the field of power plant construction, modern electronic mass media and housing construction--which arose for ideological reasons--must be promptly reduced.

Here I begin my indictment: I accuse the Federal Government because, at the time of the Brandt/Scheel socialist-liberal coalition, it wasted the heritage we were able to leave it, and because it continues to live off borrowing in the era Schmidt/Genscher. If it had kept open the scope of borrowing instead of bidding it up to the verge of national bankruptcy, we could now afford tax relief in favor of investment to stimulate output, because we would be able to balance temporary losses

of revenue by calling on our borrowing potential. In the present situation, however, tax revisions must be necessarily medium-term and very gradual.

Tax cuts are urgently necessary wherever the tax system acts as a disincentive and obstacle to performance. That applies in particular to the rate of wages and income taxes and taxes on unearned income which, in times of poor business, result in the destruction of assets, in other words in bankruptcies which this year will most likely exceed 10,000. In no case may there be increases in direct taxes, that is taxes on income and wealth.

I need hardly spell out that I would aim in the medium term to restore the balance between the yield of direct and indirect taxes. We succeeded in achieving such a balance until the end of the 1960's but lost that advantage in the course of the 1970's.

I repeat the most important fiscal principle for our current bungled situation: Spending cuts in investments are a mortal sin against the commandment of economic necessities. A Union-led Federal Government would shift the main emphasis of cuts to public consumption.

11698

CSO: 3103/399

HOUSING MARKET VALUES DECLINING

Hamburg DER SPIEGEL in German 3 Aug 81 pp 66-67

/Text/ Bad times for speculators: No more quick profits from real property.

The property in Hamburg's elegant Blankenese district appeared to be appraised appropriately at DM500 per square meter. The seller, putting a price of DM600,000 on the 1,300 square meters, boasting a stand of old trees, believed that she was not asking too much. The one-family home on the property, built in 1938, was to cost another DM150,000.

However, when the owner decided to sell, the appraisal was no longer appropriate. The entire property, offered last fall for DM750,000, was finally sold in May last --for DM585,000.

A hip-roofed bungalow in less exclusive Hamburg-Bergstedt (125 square meters living space, 900 square meters grounds) may be had for DM370,000 now; only 3 months ago the owner refused an offer of less than DM410,000.

These are not exceptions, nor are they restricted to Hamburg: All over the federal territory real property sellers are finding out that their houses and grounds are worth less than they had believed--sometimes worth less than a year ago.

"In the Rhineland," reports Bonn mortgage broker Norbert Schabel, "lots which would have brought excellent prices even last fall are now hard to get rid of."

In Munich Rudolf Henning, head of the realty department of Fries and Company, observes "a certain restraint by the public." Purchasers have "become more price conscious."

In Frankfurt realtor Guenther Benedickt notes that sellers are now "adjusting their asking prices."

No doubt: Real property is no longer recording the rise in value, which owners have for a long time taken for granted.

Earlier the few sellers were able to set their own prices because of the many potential buyers. Now their situation is less favorable. Richard Speich, general

secretary of the Study Group of German Real Property Exchanges, comments: "The sellers market is turning into a buyers market."

As far back as May 1979 the Federal Union of German Realtors considered that prices were unduly high. Nevertheless prices of new one-family homes and coop apartments in large cities rose by 20-30 percent in the following 12 months.

Some people built or bought at such high prices that no rise in value is to be expected for several years. Realty experts are quite convinced that it is no longer possible to make a quick profit in real property.

That is being felt especially by those federal citizen with high earnings, who are amassing tax saving property on the building sponsor system.

After all, that type of investment makes sense only once the purchaser--provided he is taxable at the top rate of some 50 percent--sells his property after a few years. Thanks to the way the tax is designed he does well when he gets rid of the apartment at cost price after a period of 2 years. It is doubtful, though, whether he will be able to achieve that now.

The first ones to make a good profit on the usually expensively constructed buildings are the contractors and management firms. According to Speich, initially "some hefty intermediate costs tend to be slapped on"--for example lots are bought from an interposed company and resold to the eventual owner at a 100-200 percent premium. The increase in value is therefore usually much lower than promised the potential owner. One Munich realtor is familiar with projects built on the building sponsor system, which were sold at such inflated prices that "the increase in value of the next 10 years has been used up."

Sometimes the growth in value may be less than zero even for conventionally financed real property. That became very noticeable to one among many such instances, a professional man who had acquired a 1½-room apartment close to the Hamburg main railway station for DM138,000 in 1978. Last spring he wished to sell the 40 square meter apartment for DM150,000--including the tax concessions enjoyed at the time of purchase, this would amount to a respectable profit.

However, he was not able to sell the apartment at the asking price. In order to save the buyer at least the DM5,000 brokerage fee, he decided to sell the apartment privately. Finally, late last month, he reduced the asking price to DM130,000--DM8,000 less than he had paid 3 years before.

High interest rates and stagnating if not actually declining real incomes are likely in the near future also to prevent any steep rise in real estate prices.

Dieter Bellinger, general secretary of the Association of Private Mortgage Banks, warns that those who build or buy at rates of upward of 11 percent must not expect their real property to make up for inflation-related losses in the next few years. In fact a loss in value is quite possible.

In many neighboring countries prices have already declined, for instance in Denmark and Britain. In Belgium lots and houses dropped by 20-30 percent, in Holland even by 45 percent.

According to the experts losses in value have so far occurred only in a few exceptional instances. Realtors consider it impossible that real property here would lose value to the same extent as in the neighboring countries. Frankfurt realty experts say "it never did get cheaper."

Still, most agree that the rise in value, hitherto taken for granted, will be somewhat less ample. According to Gerhard Feldmann of the Federal Union of German Realtors this is "a problem which will increasingly plague the realty market. Realtors will no longer be able to sell houses by emphasizing the potential for a growth in value."

11698

CSO: 3103/399

JEUMONT-SCHNEIDER'S NEW PRODUCTION GOALS DETAILED

Paris L'USINE NOUVELLE in French 16 & 23 Jul 81 pp 39-41

[Interview with Christian Devin by Alain Pauche and Daniel Lacotte]

[Text] Christian Devin, who was just appointed president of Jeumont-Schneider (J-S), one of the jewels of the Schneider group, has in fact been directing J-S since 1974. (He succeeds Philippe Boulín, director-general of Creusot-Loire, who becomes vice-president of J-S to replace Christian Devin.) Fifty-seven years of age, with a doctorate in science, Christian Devin spent part of his career with Thomson up to 1968, when he joined J-S. In 1974 he was appointed director-general, then in 1978 vice-president and director-general.

Christian Devin is behind Jeumont-Schneider's recovery and its spread into electronics. You will recall that Baron Empain wanted to sell his company to the Americans in 1968. The government vetoed it at that time. CEM [Electromechanical Equipment Co.] and Merlin Gerin were approached without success. Then in 1973, a hard blow: Jeumont-Schneider was pushed out of the large turbo-alternator market by EDF [French Electric Company]. However, the fast developing nuclear program and the firm's weight in the market of large transformers enabled it to stay afloat.

In February 1974 it was "a fit of madness," to use the expression of J-S' competitors: Jeumont-Schneider launched into private telephone systems, with the latest technology, time-division. Today J-S has 750,000 installed telephone lines (+20 percent a year), and this year will probably become number one in France for low-range time-division switching systems (40-50 lines for small and medium-sized businesses).

The spectacular growth of J-S in telecommunications considerably changes the physiognomy of a company which just a few years ago was an electrical engineering firm. In this exclusive interview, the president and director-general of J-S explains his present and future options.

[Question] One of the main focal points of your industrial and commercial policy in the past few years has been diversification into electronics. Today electronics accounts for 42 percent of your business. How did you arrive at that point?

[Answer] One of my main concerns when I took office as director of Jeumont-Schneider in 1974 was to form a management team. And I think that probably the most important thing is to have a team that is self-confident, that knows what it is talking about and that is conscious of the goals of not only its leader but all the members. If

we have been successful, it is because of ideas, perseverance, and above all because we have a compatible team. Our recovery after deficit years came about then because we converted to nuclear technology and got into electronics and more specifically private telephony. But we did not have any cash flow problems and were able to finance our start.

We actually got into electronics through the natural development of certain branches. For instance, we have always done a lot of work in the sector of railway transport, where we manufacture inverters, current converters, current choppers, etc. In short, products with a substantial electronic component. So we acquired uncontested know-how on the subject, since a current chopper which feeds a 6,000 or 8,000 HP locomotive has a logic circuit which operates on the basis of microprocessors.

We decided to get into time-division switching systems in the same way. This new speciality took shape in 1971-72 when the SNCF [French National Railroads] asked us to develop a complex telephone signaling system. Since the other two groups in the private telephone systems market (CIT-Alcatel and Thomson) lacked vitality and originality in our opinion, we joined the battle. Today we are on a par with CIT-Alcatel in private electronic switching systems, with a notable share of exports.

[Question] What are your medium-term projects now?

[Answer] We have set up a 5-year plan which will increase the share of electronics to 58 percent of our business by 1986 (40 percent in 1980). Our main thrust will be in the area of telematics, computers and office systems. We will be investing between 140 and 180 million francs out of our own capital between now and 1986. We spend 420 million francs in this sector today and we are going to multiply this figure by 4 in 5 years. Our plan also envisages penetrating the North American and Far Eastern markets in telematics.

Moreover, we are going to develop the railroad branch by extending our field of competence to passenger transportation, among other things. We will also branch out into handling equipment for the shipment of merchandise. At the same time, we are going to advance the railway signaling equipment by introducing more electronic networks.

Finally, we want our net rate of return to approach 4 percent of our turnover in 5 years. That seems like a satisfactory ratio to me. For investment and research, I am targeting 10 percent and 5 percent turnover, respectively.

[Question] What are your priorities for this year?

[Answer] This year we are investing 110 million francs in studies and research, out of which 77 million francs will go to the development of new products. Not to mention, in addition to the 110 million francs, 132 million francs in fixed assets.

Our 1981-82 goals basically follow three lines: research in the railway sector; increased development of telecommunications and office systems; and research on hot shops [atelier chauds], simulation devices and control and safety systems for nuclear equipment, in addition to a program to develop technology and techniques for components for breeder reactors.

[Question] Your recent acquisition of Secre, a manufacturer of electronic equipment (with a turnover of 200 million francs and 800 employees), leads one to assume that you have great ambitions in the field of office systems. Have you decided to buy out other companies in this sector?

[Answer] Absolutely. We are pursuing it actively. Not for the pleasure of buying companies, but because we have a precise strategy in the field of office systems. In my view, the office systems industry is composed of four "bricks." We have the first three. First telecommunications and know-how in the area of networks, thanks to our mastery of the technology of low-range time-division switching systems, extensively installed in small and medium-sized businesses. Then, through our subsidiary Cerci, we have considerable advantages in the field of software, and more specifically in decentralized computer systems. Finally for the third brick, the purchase of Secre gives us undeniable competence in developing peripherals which are essential for the office systems of tomorrow (telecopiers and processing of texts).

So there remains the fourth brick! This is everything to do with typewriters--typewriters and rapid printers (150 characters a second). So we have to acquire this quickly. I am currently in contact with an American firm which designs absolutely revolutionary typewriters! Not machines to which a little electronics have been added! We should conclude our negotiations before the end of the year. The agreement will provide either for buying them out, or for acquiring shares or, initially, for buying a license. You know quite well that the dollar is expensive, and I don't have cash holdings in the United States, like other groups now investing on the other side of the Atlantic. I am convinced, however, that the stakes for the office systems business are at an international level. The French market alone will not suffice.

We will therefore need a U.S. subsidiary and a commercial network in Europe. I am prepared to invest 250 million francs to acquire this know-how we need in typewriters, to have a good international commercial network and to develop industrially the line of products required. In this context, we have a new project with Codis [Committee for the Development of Strategic Industries], and I have reason to hope that Jeumont-Schneider will control the French office systems sector, if one is developed.

As for the purchase of a commercial network, I know that this will not be easy. Hermes Precisa International (HPI), taken over by Olivetti, had first reached an agreement with us, which is why the Swiss firm was able to go and negotiate its purchase by the Italian group, on the basis of our proposals! It's too bad, because HPI was a good network for us. I then attempted unsuccessfully to negotiate with German firms.* One of them is in too dangerous a financial situation, and another is not willing to join a French group.

[Question] In the sector of private telephone systems, you have just concluded an agreement with the Italian company Telettra. What are the terms of this agreement?

[Answer] With Telettra (a \$200 million turnover), we have signed an exclusive license to sell our equipment (time-division switching systems) in Italy and in three other countries--two in South America and also Spain, where Telettra has a

* Editor's Note: The two firms are Olympia and Triumph Adler.

subsidiary. Moreover, at the end of a certain period and provided they have sold enough systems, Telettra could exchange the sales license for a manufacturing license. For us, this agreement provides a way of extending the market for our line of private telephone systems.

[Question] The 1980 results were particularly good. Are you satisfied with them?

[Answer] No. Fifty-two million francs in net profits out of 3.1 billion francs of business is not a satisfactory profit ratio, no more than consolidated net profits of 64.8 million francs for a 4.7 billion francs turnover for the Jeumont-Schneider group is up to our expectations. We will have to do better in coming years. But since I have been director of Jeumont-Schneider, there have been no large staff reductions, despite obvious difficulties in certain departments, which could have been resolved much more rapidly by drastic cutbacks in employees.

My philosophy has always been never to cut off dead branches. This procedure would make it possible to advance more rapidly, but it is not good for the overall dynamics of a group, and less traumatic solutions have to be found. Haven't you heard it repeated that the rich must pay for the poor?

Let's take the example of engines: there are five manufacturers in France. There should be three but no one has ever succeeded in reaching an understanding. However, we have just signed an agreement with Leroy-Somer to consolidate production of our engines. We will stop manufacturing the low range models in favor of Leroy-Somer, but we will continue to sell them under our brand name. On the other hand, we are manufacturing the low tension higher range models, that they will sell under their brand name. This type of industrial agreement should make it possible for us to increase profits.

It seems to me that the model for what should be done is found in the plan we adopted for power transformers, transport or distribution. This sort of consolidation of industries either within or outside our group is very satisfactory. The proper ratio for a group such as ours should range around 5 percent of turnover.

[Question] What advantages do you draw from belonging to the Empain-Schneider group?

[Answer] First there are the advantages related to information channels and especially to personal relationships you can form when you belong to a large group involved in a number of sectors. We have liaison committees, particularly in areas where there is international involvement, which are really useful because they give us a chance to be associated in the large operations the group conducts abroad. As regards bidding to supply material to companies in the Empain-Schneider group, we are generally treated better, but that doesn't prevent our competitors from running off with the orders. Moreover, the business we do with companies in the group only accounts for 27 percent of our total activities (including of course the combined railway and nuclear operations with the Creusot-Loire group).

So there are close links and compatibility among the people working in our group. And beyond financial links, Empain-Schneider really owes its existence to its manpower.

9805

CSO: 3100/870

POSSIBLE METHODS, ECONOMIC RESULTS OF NATIONALIZATION DISCUSSED

Paris L'USINE NOUVELLE in French 16 and 23 Jul 81 pp 24-25

[Article by Alain Pauche: "What the Government is Going To Do"]

[Text] The government seems to be moving faster than foreseen in its nationalizations, with the first targets being banks and the arms industry. This line of action is reflected in its research policy and in its social objectives, which are causing concern among a good number of companies.

In the accompanying rhetoric, in the supporting ideology, in the upheavals and the transformations it creates, the project for nationalizing credit institutions (including investment banks) and twelve industrial groups, which was presented by the prime minister last week in his program statement, is a weighty event.

Weighty but not surprising, since the government is just keeping the promises made by Mitterrand as a candidate during the presidential campaign. Weighty because it changes the balance of power between the public and private industrial sectors, strengthens the role of the government and, as a result, introduces the new idea of "dual industry."

It is up to the major industrial groups, controlled by the government and fueled primarily by the government, to be the locomotives for technology, to keep the branches of industry busy, to give the country "control over the industrial centers which seem to command a dynamic investment and employment policy," according to the words of Pierre Mauroy. The rest of the companies--"given the fact that a large part of French industry will remain in the hands of private enterprise," will have the "major responsibility of creating wealth and exporting."

Although these words may shock some members of government, French industry finds itself cut in two, both in spirit and in actual fact. Moreover, the new rationale behind nationalization leads quite naturally in that direction. In this it is shaping what will be the industrial policy of the legislature (authorization given Elf and Rhône-Poulenc to invest in the United States is another indicator). For it is important to realize that nationalization is both a means of attaining industrial goals (e.g., to develop the electronic industry) and a way of satisfying political requirements (appropriation of arms industries). Then you mustn't forget that the government approves and justifies a political and economic program to

nationalize the "major" groups (for the avowed reason that they are large) in order to have better control over entire branches of industry (construction, electronics, computers, arms, chemicals, steel) and to be in a position to reshape them.

From this perspective, the choices and methods for nationalizing the industrial sector appear paradoxically less important. However, when Pierre Mauroy announced the nationalization of parent companies and not of their subsidiaries, he put an end to the debate which began in the Socialist Party in 1977, between those advocating direct and total intervention (holding companies and subsidiaries) and those defending nationalization of the parent companies alone.

Behind this apparently technical choice, there are two different concepts of the public sector at play. Having opted for the first one, which, in all deference to some ministers, is similar to the Italian model (in which IRI [Industrial Reconstruction Institute], through five holding companies, controls hundreds of companies), the government has decided to proceed "immediately" with the nationalization of the Dassault group and the Matra arms branch, which rely on government orders. The first bills, to be submitted to the deputies in October, involve--in addition to banks--these two groups, which have 15,000 and 2,500 employees, respectively. Usinor and Sacilor (34,000 and 25,000 employees) will follow, saved from bankruptcy by the government which has become the majority shareholder in the holding companies.

There are five companies forming the third group: CGE [General Electric Company], PUK [Pechiney Ugine Kuhlmann], Rhône-Poulenc, Saint-Gobain, and Thomson-Brandt--or a consolidation of 630,000 people and 180 billion. For example, by controlling the parent company CGE, the government, through its shares, will also control Alsthom-Atlantique, CGEE-[Levallois General Electric Co] Alsthom, Câbles de Lyon, Sepem-Sauter-Thermor, CIT-Alcatel, the group's main outfit for telecommunications and office systems, and the Société générale d'entreprise, which took over Sainrapt and Brice in 1980.

With Thomson, everything seems to become a little more complicated. Of course electric household appliances, television and engineering (Sodeteg) activities move into the public sector, but discussions between Europacolor and Vidéocolor, on the one hand, and AEG [General Electric Co] and RCA (Thomson's partners), on the other, will have to be held. Other negotiations will have to be opened with Zambia, a Thomson associate in a continuous copper casting operation, with Lucas, and with Philips, which provides technology to the Compagnie des lampes [Lighting Company]. Better still--if we can use the expression--legislators will have to decide on the nationalization of Thomson-CSF, which is 40 percent owned by the parent company, and which controls the electronics business for groups such as the military, that gives the group the financial leverage it needs.

These last three groups, CII-HB [International Computer Company--Honeywell Bull], ITT= France, and Roussel-Uclaf, with foreign shareholders holding a majority in the last two, are not part of the first "October train." The government is going to begin negotiations to find the ways and means of restructuring the capital in each of them.

As far as ITT is concerned, it is a delicate problem. First of all, ITT France does not exist. In France, it is twelve subsidiaries of ITT USA, Germany or Switzerland, to which we must add the CGCT [General Telephone Construction Co] (telephone systems, 7,500 employees), which in turn controls Pouyet and La Signalisation and which has 18 percent of the LCT [Central Telecommunications Laboratory] research laboratory. Since it is difficult to nationalize purely commercial subsidiaries, you have to sort them out. That is the first problem. Then, for the CGCT, neither Thomson nor CGE--the only possible choices--want it. They already have too many employees, even if they are attracted by the 16 percent of the PTT [Postal, Telecommunications and Broadcasting Service] that the CGCT would bring. A "forced take-over, piece by piece," would be delicate because of the presence of the Massy factory, which is hard to find a place for. So there remains the option of not nationalizing. They are thinking about this at the PTT, in spite of Pierre Mauroy's speech and the symbol of the American multinational in the eyes of the Elysee (ITT = Allende's Chile).

What is left is nationalization of the finance companies with industrial shares in the banking groups Paribas and Suez. Although they figure among the companies to be nationalized, the plan is to transfer them back to the private sector. The government will return to industry what Paribas and Suez "took" from industry.

So the 35 percent Paribas holds in Empain-Schneider (Creusot-Loire, Framatome, Jeumont, Merlin Gerin, etc.) and the shares it has in Poliet, La Chapelle-Darblay, OTH [Omnium Technique Holding (engineering company)] will be "returned to the private sector," according to procedures that Jean Le Garrec, state secretary in charge of extending the public sector, was not able to explain.

"There will be no unwarranted nationalization of our economy," asserted Pierre Mauroy in justifying Mitterrand's first proposal. But if the government intends to set up its development poles and priority sectors of industry, it is hard to see how it can help but "play Lego," according to the colorful formula of Jean Le Garrec.

9805

CSO: 3100/869

BUSINESS LEADER'S VIEWS ON BANK NATIONALIZATION

Paris LE MATIN in French 6 Jul 81 p 11

[Interview with Lucien Pfeiffer by Francois-Henri de Virieu: "How to Nationalize the Banks Without Subjecting Them to Staff Control"]

[Text] The government has given itself the summer to reflect on the best way to carry out the nationalization program presented by Francois Mitterrand during his electoral campaign and about which all the ministers do not have the same point of view. The industrialists and bankers involved are taking advantage of this delay in order to try to make the responsible politicians understand the complexity of the problem, with the hope of convincing them that the program should be limited to nationalization measures which are truly useful. LE MATIN will report this essential debate. Today, we are questioning a business leader who favors nationalization measures, Lucien Pfeiffer, President-Director General of an important cooperative group of small and medium businesses, and who was one of the pioneers of lease-credit. Pfeiffer explains how to proceed, in his opinion, so that the nationalization of the banks is not transformed into their subjugation by the State.

LE MATIN.--In 1981 as in 1974, you appealed to voters to vote for Francois Mitterrand; you thereby approved the announced program of nationalization.

LUCIEN PFEIFFER.--The left knows that it will be judged first of all by its ability to give solid substance to a new right which has been emerging for some time, the right to work, to activity, to employment, assuring to each man and woman the standard and quality of living desired. To this end, the left must rapidly master the major tools of economic life in order to use them in support of this policy. Nationalization is one of the most rapid means it has for attaining that objective.

[Question] Do you really believe that nationalization of all the banks, for example, is indispensable, when the three banks already nationalized represent, by themselves, nearly 70 percent of the banking sector?

[Answer] The three banks termed nationalized are in reality State controlled. If it were a question of controlling the rest of the sector in the same way, it would in my opinion be catastrophic. For my part, I believe and I hope that it's a matter of finally moving forward to a true nationalization.

[Question] And that is?

[Answer] The capital of the three co-called nationalized banks has been transferred to the State. Ownership of the stock gives it total power, to the point that the government has for several years even abolished the holding of general assemblies, and that the administrators and the President-Director General may be appointed or dismissed by decree¹. Let's point out in passing that the power-ownership connection which is the foundation of capitalism remains complete. It's simply a matter of state capitalism. In the formulas for the new nationalization measures which I know about, the bank's general assembly would be composed of representatives elected by three constituencies: the salaried workers, the credit users, and the public groups concerned. This assembly, which might have a hundred or so members, would elect the administrative council, which would also be organized in a tripartite fashion and which, in turn, would elect its president. The latter would have to be accepted by the government. The administrative council would periodically negotiate with the government its economic and social objectives within the framework of the Plan.

Believe me, the relationship among the government, the Bank of France, and the banks would no longer be the same with a council having its legitimacy conferred by universal suffrage.

[Question] And what would that change for the customers?

[Answer] The credit users and depositors having their representatives in the general assembly and on the administrative council would have an influence on decisions. They would be able to express their point of view vis-a-vis that of the workers and national, regional, and local public groups (which, let's not forget, are not the State or the government).

Since their representatives would also sit on the loan committees, where specific amounts of credit are determined, and on the finance committees, where the payment to each depositor is decided upon, there is every reason to believe that a head of small and medium businesses, for example, would no longer find it so easy to conceal an overdraft or reduce a discount ceiling on the eve of maturity. The true hold-ups which I have witnessed (sometimes without being able to prevent them) of liberal small and medium businesses will no longer be able to be carried out without the users' representatives having their say. The banking technosstructure had too great a tendency to consider that the bank was at their service, at the service of their desire for power.

[Question] That's pretty much what goes on in mutual banks...

[Answer] As a matter of fact, that's just about what goes on in the area of mutual credit, agricultural credit, and, to a certain degree, in general credit institutions. But this approach requires a decentralization equivalent to that which exists in these organizations or in the Centers of Communist Initiative group. Nationalized banks will have to be regionalized into four or five national federations. That will also allow for maintaining the rivalry and competition which are indispensable for a society of free choice.

[Question] How do you view the indemnification of stockholders?

[Answer] Why indemnify anyone? The nationalization law can be restricted to withdrawing the voting right from the stock. That wouldn't bother the little stockholders who never do anything with that right, since they concede their votes without specifying a choice. On the other hand, that would take away power from the controlling lobbies which used the bank not for the collective body, but as a tool of domination to support their desire for power. And that's good. Taking away the voting right from the stocks is compensated for in all the countries of the world, either by a preferred dividend, or by a guaranteed dividend. Isn't this the same formula that, as early as 1978, Jacques Attali outlined in an interview in les Echos and which caused some sensation?

¹Since 1973, because of stock distributions to the employees, the semblance of a general assembly has been reconstituted and called a college. All the members of the college are designated by law or appointed by ministerial decree, with the exception of one or two representatives elected by the stockholders.

9816

CSO: 3100/836

NATIONALIZATION OF BANKS CALLED 'REVOLUTION,' 'RISKY'

Paris LE POINT in French 13 Jul 81 pp 22-25

[Article by Michel Richard: "Banks: But Why Nationalize Credit?"]

[Text] The guillotine has fallen on the banks: they are to be nationalized. Behind the panache of the symbol, a revolution. A revolution which sees itself as ambitious. It is though, for the time being, chancy.

"It's a world premiere," a little dumbfounded, but with a rare sense of jubilation, an official from the Elysee contemplates this historic moment in the summer of 1981 when France finishes what it began in 1936 and 1945: the nationalization of credit.

For this old idea that the Socialists have been carrying in their portfolio for more than 10 years, this idea which has been included as ritual fogma in all the major writings (General Program, "Socialist Project," "110 Proposals for France"), but thwarted heretofore by "the pressure of conservative forces," this idea has today come to fruition and has seen the light of day.

Therefore, Wednesday, when Pierre Mauroy announced, as predicted, that credit would be nationalized, it was largely a myth which had become fact. The words of the Prime Minister left the banks speechless (and almost stunned), and the French, probably for the most part, indifferent; but, in effect, those words have achieved for France a "world premiere."

Until that day, no industrialized country of the free world had ever nationalized the totality of its credit. Straight off, on this essential point, France has no bad marks; it has inaugurated a clean "model;" in 2 months she had done what a Social-Democratic Germany, the socialist governments of Austria and Sweden, and the Labor government of Great Britain have never endeavored to do.

Thus, the great majority of some 250 private banks, which collect 12.5 percent of the resources of the French financial system and distribute 16.1 percent of the credits (the percentages reach 21 percent and 25.4 percent if the public sector is excluded), these private banks find themselves resting in the bosom of the State. First to be picked are some superb blossoms in the French financial garden: Credit Commercial of France (CCF), Credit Industriel et Commercial (CIC), Credit du Nord, the Banque de Paris et des Pays Bas, Indosuez, Rothschild.

At first, however, the words of Pierre Mauroy, sometimes imprecise and elliptical, and lending themselves to many interpretations, appear rather moderate. It was already known that neither the foreign banks (or those under foreign control), nor the banks created under a special statute and of a mutualist or cooperative nature (Credit Agricole, Credit Mutuel, Banques Populaires) would be affected. But in excluding from the field of nationalization "the small independent banks which are often very useful to local or regional economic life," the prime minister seems to hold back. To the point of appearing to be in retreat from the words of Mitterrand the candidate: "The banks, all the banks," he specifically said during the televised debate of 5 May with Valéry Giscard d'Estaing.

Where does a "small" bank begin and where does it end? What exactly is an "independent" bank? No one knows. Surely this is not reason enough to change the physiognomy of things. For, of course, the weight of the aforementioned small independent banks is negligible. Question: and if, because they are left alone and remain private, these small banks become large? "Impossible," answer those at the Elysee Palace. "We will do what is necessary to avoid having that happen. We only have to establish an upper limit of deposits beyond which a bank would fall under the category of those eligible for nationalization." Another official adds, "Why would you like the government to take control of the small local banks? That would be frighteningly complex. As time passes they will gradually be absorbed into the ranks of large banks. Or they will disappear: what place can they hold in an environment which is entirely mutualist or nationalized? They would disappear as a result of their own efforts. Their future would be even more problematic." This is clear.

Much more important obviously are the questions relating to commercial banks and to their participation in industry. Two giants come to mind right away: The Compagnie Financiere de Suez and the Compagnie Financiere de Paris et des Pays Bas. These two are the owners of several banking institutions and of a long string of joint undertakings and subsidiaries. At year end 1980 Paribas held shares in about 600 corporations for a total sum of more than 6 billion francs.

Pierre Mauroy has announced two principles. One: the shares of these banks, other than those in the 11 groups deemed candidates for nationalization, will be "returned to the private sector." But who will buy them? Two: The international activities of these banks will be preserved. But beyond these principles there are a great many questions, and a great many technical problems! Beginning Thursday morning, the ministerial staff concerned with these matters will start to work: there will surely be more than enough for them to do from now until fall in refining the melody of the political theme song aired Wednesday by the prime minister.

The political facts of life are that questions exist, ambiguities remain, and the terms and conditions of shareholder's compensation, as well as the financial evaluation of the establishments concerned, are largely unascertained: a declaration of general policy is not yet a bill ready for a vote.

Pierre Mauroy's text on nationalizations, in its very generality, was an extremely laborious elaboration. "Not a single restrictive suggestion came from the companies involved," complained one of the participants in the feverish discussions which caused so much commotion last week. "In brief, a confused procedure." In truth, everything is taking place at the highest level--after internal and secret battles.

Arbitration is carried out by Francois Mitterrand. Difficult. Even Tuesday evening--the eve of J day--passage of the nationalization bill was still under discussion. And successive rehashings pile up one on top of another...

Why? It is no secret to anyone that several tendencies coexist at the heart of the government, that Jacques Delors, for example, Minister of the Economy and Finance, defends more liberal positions, less extreme than many of his colleagues. At the end of Pierre Mauroy's speech, a well-informed observer said, "Today Jacques Delors lost. He wanted to nationalize credit starting at more limited boundaries, he wanted to limit the transfer of property. No one supported him."

Jacques Delors was perhaps unhappy--or isolated--when, Wednesday evening, he measured the extent of his disagreements with the government's document. The bankers themselves were acting strangely. Officially, of course, they were silent: no comment. But it was known that some of them, buoyed by the uncertainty of the situation, still hoped to slip through the net. One, by emphasizing his bank's mutualist character; the other, his foreign stockholders; others, by trying to appear small...

In truth, and curiously so, the bankers were, in recent days, incurable optimists. Most never believed the Left would be victorious. Worse yet: they never composed a scenario to deal with this victory. After 10 May they still hoped. "I shall attempt to convince the authorities," assured one of them. "Nationalization is not certain," Jean-Maxime Leveque, President of CCF, wrote to his stockholders--the only banker, however, to fight openly (and with many accompanying pages of publicity in the newspapers) against nationalization. "I don't believe it," said Pierre Moussa, CEO of Paribas, before a group of financial analysts.

Of late, still no declaration. They are burying themselves, they are in hiding, trying to make themselves small so as to be forgotten! The French Banker's Association is mute; choked and suffocated, it is true, by the diversity of its members--the three nationalized banks as much as the smaller private ones. Mute, the Private Bank Coordination Office, presided over moreover by the "boss" of the Banque Hervet which had such a strong voice in the legislative elections of 1978.

Today, as the guillotine falls, they are stunned. Their record, they thought, was good. Only no one asked them for it. And it bankers are now going to be consulted, it is not to talk about principles, but rather about the method of application.

However, this record which was not opened, this debate among bankers and public authorities which was not taken up, all of this must be brought up again. This touches on the main point. Why nationalize credit? Why, with such a policy, put us in the same camp as a handful of countries, either of Eastern Europe or underdeveloped ones such as Afghanistan, China, Cuba, the USSR, Vietnam, Libya, etc.?

"This is the first time I have seen that," confides a banker in the secrecy of his office. "A decision by the authorities which has only disadvantages and no advantages. They have sacrificed to a symbol. But a symbol is never as brilliant as when it is stupid. In the same way, authority shows itself best only when it is capricious."

The disadvantages? First, the operation of all this is not free: tens of billions are at stake. We will have to find them. The relationships between banks and businesses, even if we make the best of it, will be profoundly disturbed. All the more so since the private banks, already in the minority, will no longer be there to stimulate, to "titilate" the national banks.

"Moreover, why do all that," asks a banker "if it isn't to modify the behavior of banks? Will we have or not have full responsibility of choice in our dealings? We are told there will not be any bureaucratization, but we are also told that we will follow the guidelines of the Plan..."

Why then nationalize when the government already has so many means at its disposal? When credit has been distributed, parceled out, it will not be more abundant: it is the government which will set up the framework. It will not be less expensive: everything depends on the monetary policy followed by the government. Already 44 percent of the credits distributed to businesses are supported by the government. And the majority of medium and long term operations--the most "structuralizing" ones therefore--are obliged to pass through public organisms such as the National Credit Bank, the Land Bank, or the Deposit and Consignment Office. Moreover, it is true that the State controls 60 percent of the deposits and 48 percent of the credits of the registered banks, that the National Council on Credit has very extensive powers, and that interest rates depend almost completely on the Bank of France.

From a foreign or international point of view, the international traders do not lack for arguments either. Bank operations in 1980 added 10 billion francs to the French balance of payments. In the service category, banks are the primary producers of foreign currency. "But," say the international bankers, "the international financial community does not like state-run institutions."

Pierre Moussa said recently that several of Paribas' successful ventures resulted from the private character of his group. "The Empain-Schneider operation was possible because of that." What is true for negotiations with a family-held firm is also true with international industrialists and financiers. The Saudis would thus have it be known that, should nationalization occur, they would end their participation in joint industrial investments. "The loss of the aforementioned private character," concluded Pierre Moussa, "would not destroy Paribas. But it would not be reasonable to demand an effort on the part of taxpayers for what would result in the mutilation of a useful instrument, one already at the nation's service."

Then, why nationalize? The defense explains, "It would be impossible today to contemplate permitting anyone other than the government to coin money," said one of Mitterrand's aides. And the extending of credit is, in a certain sense, coining money. It is therefore normal that the government control this instrument totally. The goal: "To create a system which is both competitive and decentralized." "When a regional bank, backed by the government, opens a 20 million franc line of credit to a small or medium size business, we will see the "mammoths" (Credit Lyonnais, BNP, Societe Generale) begin to raise questions and to decentralize their structures."

And, this aide continues: "To say that no other industrialized country has nationalized its credit is a false argument, a fiction: the United States prohibits its

banks from operating on a nationwide basis. They are limited to one state. In the case of the Federal Republic of Germany, it requires the financial participation of the Laender in its banks."

The basic problem is as follows: should a bank cooperate in the development of industry or should it prosper by climbing over industry's back on its way up the ladder of success? The answer--in the form of grievances--is found, in part, in several sentences from a book entitled "The Monetary Imposture," written by the members of the Economic Committee of the Socialist Party: "Nationalization must be total, for without that it would not reach its goals," writes this group of authors. "The private banks have a decisive power. Their unwarrantable interference in industrial and commercial enterprises gives them power, sometimes marginal, but often unlimited. They are more dangerous now than they were 30 years ago. Their excessive influence proves that the banking and financial system must be controlled in its totality or we will run the risk of seeing it rise up again in new forms which will be just as harmful, and which will permit economic decisions vital to the community to be free from the standards of the general interest."

Whatever one might think, the case against the private banks has been heard, investigated, and sentence has been passed. Except for the practical modalities which are yet to be defined, and probably at the price of several changes in personnel, all that remains to be done today is to question the consequences of the nationalization of credit.

For individuals, there will probably be little or no change. In more or less attractive, but different, packages--a better share in the Variable Capital Investment Company (SICAV) here, a warm reception there--financial products sold by banks are the same. They will remain so.

For business concerns, the answer is infinitely more difficult. In truth, there are two: one is as alluring and enticing as the other is worrisome. On the one hand, there would be decentralized banks which would have a thorough knowledge of their customers and the financial means to satisfy them; banks gathering in the savings of an entire region and distributing those francs for regional economic development; banks working, in this respect, in the national interest, guided inferentially by the general outline of the Plan.

And then, contrary to this best of all banking worlds, the netherworld: with the rapid computerization of banks, say its supporters, a central system will be able to know everything. Which credits are accepted or refused? To whom and why? To settle everything, answer all questions. And, perhaps, to kill off a business which might not have the good fortune of pleasing the planners. In brief, it would be a decisive blow at economic freedom.

Impossible, of course, to settle everything once and for all. Impossible also to say whether the Parisian technocrats, having in their hands the entire apparatus of French credit, and even a little more, will be able to resist the temptation of rationalizing in the underground of the banking world: by concentration or specialization of the networks.

Everything, it is obvious, is to be learned, to be invented. That is the price of a "world premiere" which is, at the very least, adventurous.

The French Financial System

In chart form what will be nationalized. The private banks collect 12.5 percent of deposits, the sum of which, at the end of 1980, reached 1883.9 billion francs, and they distribute 16.1 percent of the total volume of credits granted, whose total reached 2107.5 billion. The private banks employ, at the minimum, 25 percent of all bank personnel (381,412 individuals) and contain 18 percent of the teller stations.

<u>Categories</u>	<u>Deposits</u>	<u>Credits</u>
Public and semi-public sector. (Savings Bank, Equipment Banks of local communities, Land Bank, National Bank, National Energy Bank, etc.)	38.4%	37 %
Nationalized Banks (Credit Lyonnais, BNP, Societe Generale)	22.6%	18.7%
Mutual and Cooperative Sector (Agricultural Bank, People's Banks, Mutual Bank)	24 %	17.7%
Private Banks	12.5%	16.1%
Financial Establishments	0.5%	5.5%
Private Banks controlled by Foreigners	2 %	4.1%
Diverse (special drawing rights)		0.9%

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UNEMPLOYMENT FIGURES FOR NAPLES SHOW RISE

Rome POLITICA ED ECONOMIA in Italian Jul-Aug 81 pp 21-22

Article by Maria Liguori and Susi Veneziano: "Naples' 'New Jobless'"

[Text]

We can safely assume that completion of the job-wanted survey marks the end of the first major phase of job-placement in Naples. Now that registration is closed, the official ratings list run off, and checks completed as to the actual unemployed status of registrants, we can move on to an assessment of the real size of the job market and the availability of manpower for reconstruction in the areas stricken by the November earthquake.

The survey revealed a further worsening of the unemployment picture in Naples: the rolls now show 109,517 unemployed, as against the 97,138 carried on the regular jobless lists for June 1980. This means that we are actually showing, in the space of less than a year, a rise in unemployment of 12.5 percent. The deteriorating situation reflects primarily juvenile joblessness. Young people under 30 who are without jobs number 80,132 (74.1 percent of the total), whereas in June of 1980 there were 63,736 of them; the striking thing, though, is that young people under 20 seeking employment more than doubled over the same period: up from a little under 10,000 enrolled on the [PL]285 lists to take in 23,217 new enrollees. The overall increase in the numbers of unemployed would therefore appear to stem almost exclusively from the entry of these very young job-seekers into the market. Even so, the number of adult job-seekers is also very high: 15,405 between the ages of 30 and 40 signed up (14 percent of the total), as did 13,893 people over 40 (12.6 percent).

Almost all (98.2 percent) of Neapolitan job-seekers stated that they were ready to work on reconstruction jobs, which are almost exclusively to be found in housing construction. Not quite so prevalent, but still considerable, are people willing to work outside the district in which they registered for work (76.3 percent), particularly among the elder applicants (among registrants over 30 the percentage willing to move drops to 67.5 percent). It is highly likely, though, that the declared availability does not indicate for many of the unemployed (we are thinking here mainly of college and high-school graduates and women) any real intention to engage in that particular area of endeavor.

As for income levels, a good 34.4 percent of applicants declared no income at all; most of these are people in the more adult age brackets: among the very young (20 and under) those declaring no income number 17.9 percent, while among their elders (30 and over) the rate is 59.7 percent. Clearly this declaration of "no income" -- which conjures up visions of large numbers of families totally destitute -- hides unreported work and income, although in many cases that amounts to no more than bare subsistence.

The priority criteria that set the weighted point system and shaped the priority list base first claim to jobs on willingness to work on reconstruction, seniority on the employment rolls, ages between 14 and 29, the level of economic need, and the number of dependents; no reference made to job skills or professional or vocational status. This clearly scorns the intent, clearly expressed in the reform decree-law, to give that sort of worker priority over the others, thus leaving it up to the employer to pick and choose at will among the thousands of applicants for the skilled and experienced work force he needs.

Yet to be played on this count is the card of vocational training, the key issue in resumption of the debate over the quality of manpower available. This is an issue which is apparently of acute interest to local employers as well; they complain of the lack of skilled workers, and seem far more inclined to hire specific individuals for this kind of work than to take them as they come off the register.

A check into the genuineness of reported joblessness through cross-checking the placement lists with the rolls of the welfare agencies according to job categories has already "uncovered" 3,000 phony job-seekers, operators of commercial and trades businesses, who were immediately struck off the lists. The crosschecking is not yet complete, so this number will very probably increase. The mere fact of running the checks, though, restores only a portion of the credibility which the Labor Office ought to enjoy; full credibility for the new agency will have to come through absolutely open and above-board performance in the placement of real people in real jobs, which is certainly the most iffy phase of the whole control operation.

Now that the initial phase of head-counting is, to all intents and purposes, complete, we move into the more delicate phase of actual control of the market. Up to now manpower requests coming in have run around the tens of units, all calling for unskilled workers. The Foschi administration is still insisting that the promised jobs (2,500 by last 15 April, and 10,000 before the end of June) are there, despite the expired deadlines for finding them. Local businessmen have voiced harsh criticism and are pressing for a reduction in the Labor Ministry provision that pegs contract awards and loan assistance to hiring by the numbers of a manpower quota equal to 20 percent of the company's current employment levels.

One more roadblock -- and this one a crucial one -- is the machinery for placement of entry-level workers through competitive examinations. The numbers of job offers coming from the public sector is by no means negligible, and the demand continues -- despite reforms in the regulations governing the labor market -- to absorb a considerable share of the labor supply, and to do so wholly unfettered by rules and regulations (which means through cronyism, corruption, and inadequacy). Competitive examinations, advertisements of openings, and word of mouth are the job-search channels most often used by the weakest sectors of the labor market (young people, high-school graduates, and women) -- the very people who thus far have been the least successful job-seekers in Naples, particularly when they use official channels. Furthermore, these are the people who will be least affected by the quake reconstruction program, and least likely to be hired for work in the housing industry. In other words, the hottest phases of the reform effort still lie ahead.

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BOOM IN CIVIL WORKS PROJECTS ABROAD

Milan IL SETTIMANALE in Italian N° 27 pp 42-46

[Article by Renato Tagliani]

[Text] The construction business is marking time at home, caught up like the rest of the economy in the spiral of political crises, inflation, and recession. Abroad, though, things are fortunately different.

Ours is a people with a vocation to building (unable to fulfill that vocation on the grand scale here at home). Italians are also builders of walls and, as everybody knows, the tradition was begun under men like Julius Caesar, Trajan, Augustus, Hadrian, Titus, and several other respectable emperors. The ancient world was indebted to the Roman ants for thousands of kilometers of roads and aqueducts. In our day, the world looks to the descendants of those armies of Roman ants to build other highways, aqueducts, and dams, not to mention industrial plants, gas pipelines, airports, silos, and whole cities.

We are fine fellows and well thought-of, yet our earnings (and the consequent flow of hard currency back home) are steadily shrinking. Why? The main reason is that the cost of our product is climbing ever faster. The future? Hard to say. The world of imperial Rome was first beset and later swept away by the Vandals, the Ostrogoths, the Franks, the Allemani, and all the hungry waves that followed them. The siege that threatens us today, though, looms in the East, this time in the Far East: we are being harried and beaten by companies that can instantly mobilize hordes of workers with odd-shaped eyes who are not too demanding, and among them the ones who stand out for their success and their entrepreneurial derring-do are the outfits that fly the flag (our recurrent downfall in sports as well as in trade, and now, in industry) of South Korea.

Is the parallel between the ancient Roman Empire and the present-day world of Italian construction work in the world overdrawn? Not altogether, because ours has been and is (we hope will long be) an empire of toil, intelligence, money, prestige, and engineering advances. One single figure can speak volumes: since 1950 (reckoning in 1981 lire) estimates put our earnings worldwide at 50 to 60 trillion lire. The

National Building Construction Association (ANCE) has 16,000 companies on its rolls: that is 90 percent of all privately owned companies in the sector, and more than 100 of them are assiduously engaged in bringing home much sought-after dollars in exchange for technology, the love of a real challenge, and honest sweat. In addition to the 100 companies in the private sector there are others that are state-owned, and then there are the cooperatives -- an almost solely Italian entrepreneurial phenomenon. These three groups among them boast an annual volume of business abroad worthy of anybody's respect, even in times of inflation at flood-tide: for 1980, about 3,078 billion for ANCE members, 250 billion for the cooperatives, 350 billion for Italstat (the state-owned holding company for the sector belonging to IRI), not to mention in the latter figures the still fluctuating, nebulous 1.3-trillion-lire contract for building the Iranian port of Bandar Abbas.

Does that mean that everything is going swimmingly for our builders abroad? By no means. Inflation and recession have hit us hard, but whereas the French, Germans, Spanish, and even the Pakistanis managed to come up with swift and efficacious protectionist and support remedies we are still skidding about over the same old bureaucratic banana-peel. The tragedy our industry is unwilling staging is all too well known: four acts (and countless scenes) entitled "High Cost of Labor," "Steady Rise in Raw Materials Costs," "Excessive tax burdens," and "Lagging Modernization of Production Systems and Means." There is frequently a prologue devoted entirely to "Absenteeism." The export construction industry, which is what we are talking about, is blessedly immune to all these functional upsets. The physician-State could release it from hospital today --if the good doctor were supported by good intentions. The diagnostic chart reads: "high cost of labor; prohibitive cost of money; slow bureaucratic sedimentation rate."

Almost All Here

That is enough, however, to cause the industry to lose out on a lot of promising contract chances, and every once in a while we find ourselves overtaken by the South Koreans, the Philipinos, the Thais, and the Japanese. An ANCE chart showing annual volume of business abroad for the years from 1971 to 1977 displays a vertical curve: from a minimum of 70 billion to a maximum of 3,100 billion (remember the dollar exchange rate of around 600 lire). In 1980 the total is 3,078 billion (and let's try not to think about the exchange rate for the dollar right now). Even so, ANCE is not pessimistic: when it talks about the times we are going through right now, it talks of a "softening," rather than a recession. Incredible. Laudable and irreplaceable though it is as an Association providing genuine support to its members (support in the form of technical assistance, legal aid, newsletters and market surveys), ANCE in this case is slipping and sliding around in the sweet, sleepy, sticky optimism that is a long-standing tradition in Italy. It reports that the French (who lead all Europe in construction abroad) in 1979 did 27 billion francs worth of business but that in 1980 did only 30 billion, "which means that the increase was totally swallowed up by inflation." We Italians, therefore, as everybody knows, are not feeling the slightest discomfort from inflation and, meanwhile, in

1980 we lost 17 billion lire worth of business by comparison with 1979, and so we quite properly say with perfectly straight faces that we have no major recession here, but only a "breathing space." Franco Nobile, president and general manager of Cogefar (14,000 people on its payroll, and a trillion lire worth of contracts in hand, 70 percent of them orders from abroad) pointed out to me that French companies get government loans at special rates of 8,5 percent, or go to the market and get it at 19 percent. We, though, pay back our borrowed money plus at least 30 percent interest. Cogefar is one of the biggest of the private Italian builders, and bellwether of the Bastogi conglomerate. Among its proudest achievements in Europe are the Gran Sasso and Frejus tunnels. Overseas, Cogefar built the 1000-kilometer Transcameroon Railroad -- the longest in Central Africa -- slicing straight down from north to south almost the whole length of Cameroon.

Within the next few days Nobile will be telling his shareholders that their company shows a profit of some 5 to 6 billion lire, and asking them to start thinking about him as a man who has an inclination to take early retirement. He has five children, an itch to take a leisurely look at the world he has seen only on business trips, and a desire some day to retire from the stage with honors and without having to sit in any longer at the armchair merry-go-round at the summit of the Bastogi mother-house that used to be so staid and stodgy, but these days makes hot gossip every week.

Standing up just recently to a hopelessly sclerotic and slow-witted bureaucracy are two dynamic and very youthful newcomers to the ministerial scene: Enrico Manca and Gianni De Michelis, whose portfolios are Foreign Trade and State Participations, respectively. De Michelis has the effrontery to try to prune the public commitment: he has no patience with the intermingling and blending of public participation and public assistance. For his part, Manca for months now has been the tireless and tenacious traveling salesman for Italy's foreign trade and, among other feats, got Italstat out of an embarrassing bind by suggesting that its autonomous export credit section (SACE) would be well advised to grant (albeit a posteriori) insurance coverage for that much-talked-of contract for Bandar Abbas which the Condotte d'Acqua Company had gone after and got. So here we have, in Italstrade and Condotte d'Acqua, the two great construction corporations and rivals within Italstat, the former 99.99-percent state-owned (who in the world is holding that 0.01 percent? A roads repair man? A retired plasterer?), and the latter, Condotte, 51.78-percent state-owned. The latter was considered the star in the holding company's crown up until 1978 when it boasted 500 billion lire worth of business per year as against Italstrade's 256. The following year, though, Condotte lost a cool 100 billion while Italstrade gained 54 billion. However did that happen? For Condotte, 1979 was a year of heart palpitations: Reza Pahlevi jumped aboard a plane and carted the peacock throne off to Morocco. Khomeiny brought his little black book with him from Paris and cancelled Condotte.

It was a tragedy for the company and for us all. A scant 20 months after its triumphant announcement that it had won the monster contract,

the billion-dollar contract of the century, its president, Loris Corbi, had to swoop down to deep-south Iran to evacuate some 1,500 Italian workers there, and then load most of them onto small boats bound across the Straits of Hormuz to the friendlier shores of the Arab Emirates. He left 70 volunteers on the construction site to keep an eye on more than 100 billion worth of equipment. Corbi immediately sent Khomeiny a bill for 400 billion worth of work completed, but got absolutely nowhere in negotiations for settlement. He wound up with some 40 billion lire in all, plus a restrictive review of the project and a formal assurance that there would be absolutely no talk of any review or updating of prices, nor yet of claims for damages. What in blazes are the Khomeiny types thinking of, anyway? They want the port, and they want Italian labor to build it; they don't want to get involved in international litigation (at the World Court in The Hague, for instance), but at the same time they don't want to pay Condotte. The upshot is that Corbi won't see a lira of his money, while Italstrade gets paid every penny it was owed. How come? As "Ma" Italstat explains it, Italstrade was paid in full because it had completed a delicate job for Iran, in the Torbat-Zahedan highway that runs along the border with Russia and Afghanistan and is hence of extreme strategic importance to the Iranians. That explanation carries conviction, once you find that another major Italian company working in Iran, Cogefar, was paid every penny owed it, like Italstrade. What did Cogefar do for the Iranians? What strategic installations vital to the defense of Iranian soil? Silos, that's what. Great big grain elevators.

The Condotte saga has stirred up the slumbering fires of rivalry inside Italstat, rousing the eternal feud between North and South -- or better, between Milan and Rome. Condotte (now a century old) is the typical offspring of the tiny papal state, that ventured out hungrily onto the virgin prairies opened up to pasture when Italy was unified. Italstrade is not quite so elderly (76). It was born and bred in Milan under a classic Lombard name: Puricelli Roads and Excavations. It has 1.1 billion lire worth of contracts in hand, and in 1980 did 320 billion lire worth of business, half of that abroad. It does not lust after risks. By contrast with the abrupt gallop-and-whoa style of its stepsister company, it maintains the slow and steady trot of a Percheron stallion. While Condotte spilled at the Khomeiny hurdle, Italstrade simply went round it, knocked at the teller's window, and got its money. At the family meeting at Italstat, ears were pulled and piggybanks broken open to deal with the situation, and a reliable steward (new general manager Postiglione) dispatched to take over Corbi's company. While all this was going on, Italstrade trotted on, calm and majestic as ever, while its president, Sergio De Amicis, got himself some backing at the top (without any laying on of hands) by raiding private industry (Cogefar) for a young manager with a brilliant track record: Nanni Fabris.

If, 3 years ago, the Bandar Abbas contract could be considered a world record, what can we find to say today about the contract for \$1.634 billion (which will come to more than 200 trillion lire before it is

over) to build the Mosul dam across the Tigris River in Iraq? Especially since it was awarded to Italstrade as a joint venture (hence all but risk-free) with three German firms (Hochtief, Züblin, and Trapp) and two other Italian ones (Impregilo and Cogefar)?

To round out this inquiring look at the Italy that is building the world we had two interesting meetings: one with a prestigious privately owned company and the other with a major cooperative. The corporation is Vianini di Roma, a holding company whose shares are quoted on the Milan Exchange, with 5,000 on its payroll. Heading it is an engineer by the name of Sergio D'Alò, an elegantly turned-out gentleman with an air of the Quai d'Orsay about him who, although Roman-born, leans toward Central Europe in his managerial style.

QUESTION: How many Italian engineers does Vianini employ abroad?

D'Alò: Around 250 to 300. The ratio is about ten locals to one of ours.

QUESTION: All highly skilled?

D'Alò: It wouldn't work otherwise. We can send only a very limited number of our own people overseas because of the high cost to the company for each individual worker or engineer. This is the only way we can compete with the fierce competition on the international market -- the avalanche from Japan, from Greece, and from the Philippines. One Korean company, for instance, regularly cites a total labor cost figure that is about a fifth of what we Italians have to quote. One of our top men, a project manager, say, gets five times what his Korean colleague draws in salary alone. Our men also cost us money for social security, insurance and (in Italy and on the job site) for hospitalization, living quarters, and travel. Believe me, for a job of any size the cost of the Italian team, small though it may be, accounts by itself for 10 per cent of the contract.

QUESTION: Give me an example of wage and salary levels.

D'Alò: A good mechanic, a shop foreman, say, gets around 25 million lire a year. Plus a month's paid leave with travel expenses to Italy. and of course he has weekends free, or he can put in some overtime at extra scale. Then we provide his food, furnish his rental housing and keep it clean, and for that we charge -- let's call it a policy price -- 60,000 lire a month, all-inclusive.

QUESTION: In other words, counting both cash earnings and fringes (food, housing, and travel expenses), a man can make a whole lot more on an overseas job than he could at home in Italy at the same job.

D'Alò: The ratio used to be two to one, and now it's three to one. And even so, we have trouble hiring Italian crews.

QUESTION: Does this mean that Italians don't care about money any more? That putting bread on the family table is no longer an incentive? Or do they feel they've got it made? That they're what the Romans call "fat cats"?

D'Alò: There may be a lot of different and rational explanations. True it is that people are no longer intrigued at the idea of seeing new places, of getting to know something beyond the four walls of the house, much less outside their home town. Another thing behind this attitude, though, is the persistent climate of inflation that destroys the value of savings and consequently reduces the old-fashioned pleasures of thrift. There was a time when most of our foremen were expatriate bachelors, but now it's the other way around. And the reason is simple: it's always the married men who readily sign on for jobs overseas, while the young unmarried men can't seem to find any incentive to deal with an alien, foreign culture; and it's a pity because (aside from the high pay and leaving out Saudi Arabia and certain areas in the middle of Africa where the climate and environment may be somewhat difficult) we work in places that are in many ways fascinating and delightful. Places like Syria, the Far East, or Venezuela.

QUESTION: How much business did Vianini do in 1980?

D'Alò: Around 180 billion, with about 80 billion of that from overseas jobs.

QUESTION: What about contracts in hand?

D'Alò: Satisfactory. Remarkable. We have no worries at all. In April we closed and signed a contract in Colombia for more than 250 billion.

QUESTION: We hear a lot of complaints to the effect that our bureaucracy does not provide adequate support to your entrepreneurial efforts abroad. SACE, for example, and the way it dragged its feet on granting insurance coverage and the necessary currency authorizations.

D'Alò: Our work in the world ought indeed to get more help, more assistance. We have to make sure that Italy's worldwide reputation is not based solely on spaghetti, songs, sunshine, poetry, and high fashion. We have a solid reputation as engineers and businessmen. Whatever we accomplish abroad (and we do it very well, among the best work done by the most renowned of the high-technology countries) gives a boost to all our trade, and opens up new markets. Just recently, we have seen passage of the Ossola Act, designed to encourage exports. But we in the construction business, though, would have to be specially classified under this law: we do not export a finished product: what we export is technology and some equipment and structures for the job site. You mentioned SACE in connection with insurance coverage and permits for currency operations: our big problem is time. I understand the need for caution, and the need to examine, analyze, and make arrangements. But there must be equal understanding of our need as businessmen to move swiftly if we don't want to lose deals. Here's an example: we did some work in Thailand where, all by ourselves, we built colossal public works. Then we entered the bidding for a splendid job in Hong Kong. Well, under strict contract obligation, the time between the signing of the contract and the actual start of work amounted to precisely 15 days. Do you believe that an Italian bureaucratic agency can grant authorization for complex currency transfers, temporary export of equipment, hiring of workers, extension of credit, and all that in 10 days?

QUESTION: Just on the basis of annual volume of business, of the number and diversity of projects, and the number of contracts awarded, what sort of a sector rating system could be set up today?

D'Alò: The French out ahead, as we've already said; then we Italians, then the Germans -- although they finance their own projects -- and then the Spaniards (almost exclusively on the South American market).

QUESTION: What about the Americans?

D'Alò: The Americans were active on the market until 20 years ago. These days they are not competitive any more, and we no longer run into them as competitors.

QUESTION: Because of higher costs?

D'Alò: Because of markedly higher costs.

QUESTION: Probably (even though on a broader scale) for reasons similar to our own: the high impact of labor costs on bid estimates and, perhaps, a growing desire to stay at home.

D'Alò: Probably. That seems to be one inevitable consequence of civilization, of progress.

Comes now the C.M.C., the Ravella Masonry and Concrete Cooperative. It is the largest of the Italian building cooperatives, and the only one active on overseas markets. In 1980 it did a total of some 180 billion lire worth of business, 40 billion of it abroad, with 250 billion lire worth of contracts in hand. Its estimated profit: 40 percent. It has 1,700 members in Milan, Forlì, Rome, and Sicily as well as in Ravenna. Its managing director is surveying engineer Edgardo Ravaioli, who is the very model of your sunny, extroverted son of Romagna: he looks you straight in the eye, speaks with fervent conviction and without any worried mental windshields, and preaches his cooperative faith as if he were its banner.

QUESTION: When was the C.M.C. founded?

Ravaioli: In 1901, in a little restaurant, by 35 Ravenna builders. They were the nucleus that has been steadily growing ever since. By 1930 the Cooperative was involved in major reclamation and development projects in Italy, but the real start toward our standing now came in the Fifties and Sixties. It is a mutual aid cooperative, which means that the members -- all of them -- have to work and contribute. We have a business here that, little by little, we have not only expanded in size, but diversified as we went along. From houses and land reclamation we branched out into industrial construction, to roads, dams, and ports, and also into prefabs and related materials.

QUESTION: Are there advantages to the cooperative corporation by comparison with the limited liability or stockholder-owned corporation?

Ravaioli: There is obviously an evolution in values everywhere, and sometimes we see values turned upside down. Even so, the associative and active formula, when it has total participation by engineers and owners both in strategic decisions and in management control, is certainly advantageous and profitable.

QUESTION: How is the board of directors chosen?

Ravaioli: The board is elected by the assemblies, one vote to each member. Then the board chooses the management team. It is an organization built of pyramids. A thriving cooperative, operating in a world governed by the standard rules of the marketplace, must in any case make due allowance for the profit goal, but also for continuity in its work, for the quality of that work, and for the social goals of the undertaking.

QUESTION: How many cooperatives are there?

Ravaioli: About ten. A lot of them are joining us. We first ventured into the market abroad during the Sixties, but only 10 years later we were into it all the way, and committed to our strategy. Right now we are working in Algeria, Somalia, Tanzania, and Iran. What jobs? Grain elevators, sewer systems, roads, dams, mills.

QUESTION: The cost of labor has risen sharply, and we are feeling tough competition from a lot of foreign companies which are newcomers to the international market.

Ravaioli: Yes, South Koreans, Philipinos, Pakistanis, and Turks.

QUESTION: There is considerable difference of opinion among companies as to the quantitative distribution of work between Italy and foreign countries. Italstat, for example, confines itself these days to a maximum overseas quota of 30 to 40 percent. Cogefar is happy with its 60 or 70 percent. Vianini is standing pat on its 50-50 split. How do you feel about this?

Ravaioli: We tend to stick at around 30 percent. Besides, we feel that our participation abroad is always in the form of joint ventures with other companies, some of them private, some of them state-owned, and so of course our own risk is low anyway. Yes, as you pointed out, we always throw in with big companies: experts are made, not born: there is always something to be learned, step by step.

QUESTION: It has been said over and over that the cost of Italian labor is very high. C.M.C.'s 1,700 members have co-op consciences and duties, and at the same time they belong to unions whose policies are centered primarily on regular demands for increased wages. To which of these two voices does a C.M.C. member listen, in case of a needed revision in estimated costs and hence a possible shift in wages? The member is in the curious position of being his own employer.

Ravaioli: The primary purpose of a cooperative is to make sure there is work to go around, of course at union scale, at least. In times when the value of money is steadily being eroded, and when the ability of the pay envelope to buy the goods a family needs is declining, it is very hard to resist the voice of the union with its wage demands.

PHOTO CAPTIONS

1. pp 42-43. The Sidi Saad dam in Tunisia, during construction.
2. p 44. The Gokcekaya dam in Turke , nearing completion.
3. p 46. The hydroelectric installation at Inga, in Zaire.

6182

CS0: 3104/338

CHANGES IN SOCIOLOGICAL PROFILE OF PSOE MEMBERS ANALYZED

Madrid EL SOCIALISTA in Spanish 8-14 Jul 81 pp 56-57

[Text] The PSOE [Spanish Socialist Workers Party] Summer School, which was held from 22 to 27 June, was devoted mainly to the party's various policies. With regard to union policy, before current union problems were looked into, a study was made of the sociological makeup of the working classes and of their organizations, the Socialist Party in particular. One of the study materials used was a text on the sociological profile of Socialist Party members, taken from the internal publication entitled "Special Responsible Political Document," put out by the Federal Secretariat of the PSOE Organization. We are here reproducing the chapter of the text that deals with the occupational pattern of the PSOE and a comparison with other European parties.

Without doubt, one of the most important aspects of the study on the sociological profile of Socialist Party members concerns their occupational pattern.

Our investigation disclosed that 65 percent of current members of the PSOE are gainfully employed, 8 percent are unemployed, 21 percent are retired and 6 percent are engaged in household work, studies and other non-gainfully employed pursuits.

The table below gives us an accurate idea of what specific jobs members of the Socialist Party hold or, in the case of retired and unemployed workers, held. Four main characteristics emerge from these data:

- There is a wide range of jobs among current members of the PSOE.
- The percentage of members who are non-wage earners is quite high (20).
- Although industrial and services workers make up the main core of the membership (36 percent), there are also a good many members with occupations typical of the "new middle class" (16 percent office workers and salesmen, 4 percent teachers and 4 percent professors.
- The proportion of farm workers in the PSOE is quite high today (18 percent of the total).

Table 1. Occupational Diversity in Spanish Socialism

	<u>Total Adult Population 1980</u>	<u>PSOE Voters (1979 Post- Election Survey)</u>	<u>PSOE Voters (1979 Post- Congress Survey)</u>	<u>PSOE Members (Socio- logical Study of 1980 Partici- pation</u>	<u>Dele- gates to 1979 Special Congress</u>	<u>Members of Federal Committee 1979</u>
Nonworking	51.4	50.2	49.1	26	6.9	6.3
Manual workers in industry and services	15.4	24.3	24.0	29	7.2	8.3
Peasant farmers	9.1	6.1	5.4	11	1.4	1.0
Office workers, sales- men, professionals, etc	10.0	12.3	13.7	20	63.4	48.9
Self-employed and independents in industry and services	5.0	6.4	6.7	11	9.0	5.2
Businessmen, managers and executives	2.4	0.8	1.0	3	2.1	--
Others	6.6	--	--	--	9.9	30.3

The overall diversity of jobs among PSOE members provides a clear-cut answer to many of the controversies involved in current interpretations of the party's class character. In this regard, these data seem to unquestionably indicate that just as the class structure in Spanish society has gradually become more complex and diversified, the job pattern of PSOE members has also gradually become more wideranging and varied. We can therefore say that the current occupational profile of Socialist Party members is quite representative of wage-earning and non-wage-earning classes in Spain today (the only qualification here would perhaps be a slight overrepresentation of farm workers and a relatively minor presence of "new middle class" job sectors).

Members and Voters

We can also say that in general these data give us a more accurate image of the quite diversified Socialist membership today and enable us to properly qualify certain impressions that a number of sociological studies on PSOE cadres, on the one hand, and Socialist voters, on the other, could have created. Table 1 contains overall weighted data on both the working and nonworking population in terms of their involvement in the PSOE (from just voters to the highest-level political posts). The table shows that the status of Socialist Party members lies somewhere between that of Socialist voters and the overall job profile in Spain, on the one hand, and between the job pattern of PSOE political leaders (many more office workers, professionals, etc) and of the rest of the country, on the other. There is also a clear-cut trend towards lesser

involvement among the nonworking sector (mainly women and youngsters), which is already lower than the national average among voters; this drops sharply among members and to very low levels among political officials.

The greater presence of the "new middle class" in positions of political responsibility can be explained by their generally higher skill levels and probably by their greater access to information and extra free time for political activism. Together with the higher skill levels of members under age 35, this also explains the higher degree of these workers' involvement in tasks of political responsibility, as reflected in the results of our investigation. In fact, among the people polled who have held or are holding positions of responsibility in the PSOE, there are more non-wage-earners (23 percent compared to an average of 20 percent), and especially wage-earning professionals, office workers and other employed members of the "new middle class" (34 percent compared to an average of 25 percent), while the levels of involvement of manual workers are, on the whole, lower (42 percent compared to an average of 54 percent).

International Comparison

If we look at all these data on an international comparative basis, we find (see Table 2) that the occupational diversity of Socialists in Spain coincides to a great extent with what has happened in other European Socialist parties. The greater presence of self-employed workers in Spain can be explained by the greater weight that these job sectors carry in Spain's current social fabric. Likewise, the smaller role of the "new middle class" in the PSOE could be due both to the as yet lesser development of these job sectors in Spain (given the differing levels of industrialization) and to a more recent (and limited) policy of opening up to and attracting these job groups in Spain. We must also not overlook the influence of the differing levels of membership in the PSOE and other Socialist parties. The varying degrees of involvement among retired workers and the nonworking population are obviously due to factors that we have already analyzed.

Table 2. Comparison of Occupations Among Members of Several European Socialist Parties (percentages)

	<u>Spain</u>	<u>France</u>	<u>Italy</u>	<u>Germany</u>	<u>Austria</u>
	<u>PSOE</u>	<u>PSF</u>	<u>PSI</u>	<u>SPD</u>	<u>SPO</u>
	(1)	(2)	(3)	(4)	(5)
Manual workers	37	17	32	23	36
Office employees	17	39	13	25	13
Public officials	--	2	--	14	14
Farm owners	3	9	7	--	1
Self-employed and independent workers	11	10	10	5	3
Retired	21	17	8	19	16
No profession, household work and students	5	6	11	8	13
Others	3	--	8	--	2

Sources:

(1) "Estudio Sociológico de Participación"; the data have been recalculated based on overall figures so that they would be comparable with those of the other countries.

(2) Patrick Harouin, "Les Caractéristiques Sociologiques...", op. cit., p 232. The category "office workers" includes office employees and intermediate- and higher-level personnel.

(3) David Hine, "Social Democracy in Italy," in Pattersson and A.H. Thomas (eds), "Socialdemocratic Parties in Western Europe," Croom Helm, London, 1977, p 84. Note that the percentages do not add up to 100. In the "Almanacco Socialista 1980" (op. cit.) the figures cited for manual workers are 26.3 percent in the north, 26.1 percent in the central region and 19.4 percent in the south.

(4) Peter Glochowski and Hans Joachim Veen, "Nivellierungstendenzen in den Wähler," op. cit., p 328.

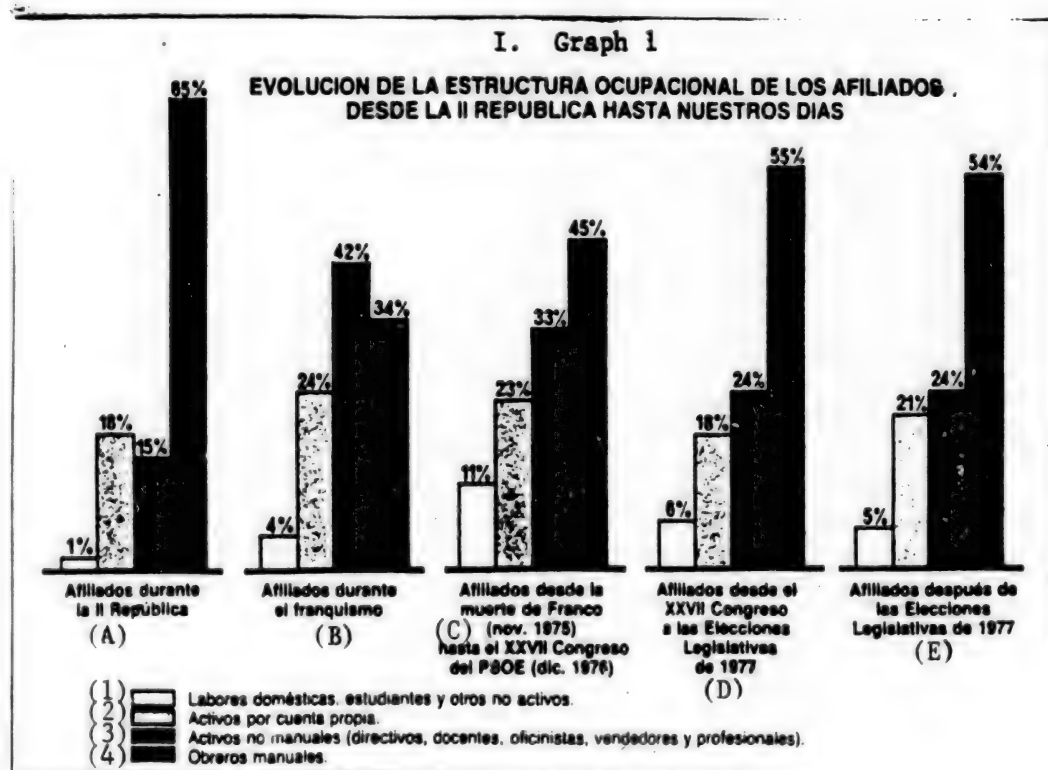
(5) Melanie A. Sully, "The Socialist Party in Austria," op. cit., p 232.

Historical Developments

The graph below illustrates the basic occupational profiles of the members of the PSOE who have joined at five decisive moments in Spain's recent history. As we can see, the occupations of the members who joined the PSOE during the Second Republic are quite consistent with the typical membership profile of a traditional Socialist party and with Spain's class structure in the 1930's, i.e., a large majority of manual workers and very few nonmanual workers. The profile of those who joined during the Franco era is quite different, however. The percentage of the self-employed is much higher, while the largest group consists precisely of nonmanual rather than manual workers. In analyzing the occupational profile of those who joined the party under Franco, we must not overlook, of course, the special characteristics of political activism during this period. Thus, it is not strange that the membership profile changed significantly during the crucial period from Franco's death to the 27th PSOE Congress, a period when the number of nonworking members increased appreciably; the percentage of non-wage earners held steady, and the previous membership trend in manual and nonmanual workers was reversed.

After the 27th Congress, as we can see on the graph, the profile changed yet again somewhat, as the number of nonworking members and, particularly, of nonmanual workers fell, while membership among manual workers continued to rise sharply, although not to the percentages during the Second Republic. Finally, it is significant that the characteristics of the members who joined after the 1977 elections are practically the same as during the previous period. This means, among other things, that this period represents a certain degree of continuity in this regard, in contrast to the membership trends that we have seen in other European Socialist parties.

It would certainly be interesting at some point to ascertain how much influence the new political guidelines explicitly set forth at the Special 1979 Congress have had on the occupational profile of new members. Nevertheless, until we have comparative data on what has occurred (and will occur) during the 1980's, current evidence seems to indicate that the policy of opening up to the new job groups has not yet had verifiable practical effects either in terms of membership or potential election backing.



Key:

- I. Graph 1. Developments in the Occupational Profile of Members From the Second Republic to the Present
 - A. Membership during the Second Republic
 - B. Membership under Franco
 - C. Membership during the period from Franco's death (November 1975) to the 27th PSOE Congress (December 1976)
 - D. Membership from the 27th Congress to the 1977 legislative elections
 - E. Membership after the 1977 legislative elections
 1. Housewives, students and other nonworkers
 2. Self-employed workers
 3. Nonmanual workers (executives, teachers, office workers, salesmen and professionals)
 4. Manual workers

8743

CSO: 3110/129

SECRETARY GENERAL OF ANDALUSIAN SOCIALIST PARTY INTERVIEWED

London AL-DUSTUR in Arabic No 527 20 Jul 81 pp 32-33

[Interview with Alejandro Rojas Marcos, Secretary General of the Andalusian Socialist Party by 'Abd-al-Latif Yatim; in Madrid; date not specified:
"Rojas Marcos, Secretary General of the Andalusian Socialist Party Tells AL-DUSTUR, 'We Are Asking for the Creation of Strong Ties Between Andalusia and the Arabs' "]

[Text] Alejandro Rojas Marcos, the secretary general of the Andalusian Socialist party heads the party's parliamentary group in the Spanish Parliament. He exemplifies the vigor of liberated youth. It is the custom of Alejandro Rojas Marcos to use the parliamentary platform to set forth the problems of Andalusia and the concerns of his people. But his struggle is not confined to the realization of achievements for his Andalusia, but goes beyond the borders of Spain where he raises the just questions of friends and oppressed nations. Much has been said about Alejandro. He has been called a turbaned Andalusian in the Spanish Parliament, a spokesman for the Arabs and occasionally the representative of the Third World in a European parliament.

But the Andalusian leader does not concern himself with these descriptions. His conduct is inspired by his conscience and by a sense of total harmony with himself.

After my meeting with him in Seville failed to take place, we had an appointment with him in Madrid where we conducted this interview with him.

[Question] Mr Alejandro, why the Andalusian Socialist Party? When was it established?

[Answer] Our party was established in 1965. It was organized and created to restore the Andalusian character to the Andalusian people and to interpret their struggle correctly. The Andalusian people have suffered for several centuries from the fact that their distinctive personality and their identity have been suppressed since they were colonized socially, politically and culturally. Our party was the first among all Andalusian parties throughout Andalusian history to ask the Spanish state, and to do

so with continuing urgency, for recognition of the special Andalusian character and for respect for that character within the Spanish state.

[Question] What does the Andalusian socialist leader think about the government of Calvo-Sotelo, which came after the Suarez government? What in your view are its negative and positive aspects?

[Answer] I said in my address to the Cortes--the Spanish Parliament--when Mr Sotelo presented his government to the parliament for a vote of confidence--and I spoke on behalf of our Andalusian parliamentary group--that the present government intended to go backwards. I did not agree with Mr Sotelo's contention that democracy was firmly established in the country. Our point of view was confirmed by what happened only one hour after the address. I am referring to the armed occupation of the parliament and the holding of all the members of parliament hostages by Col Tejero . I criticized the new government because in my opinion it represents a step backwards since it had already taken into consideration joining NATO and placing Spain in the orbit of one of the two superpowers: the United States. This is inconsistent with our national interests. I said in my address that we cannot combine our friendship with the Arab people and the Arab nation with [a move] to join NATO or to place Spain in the sphere of influence of U.S. policy. We are aware of the pressures that are being exerted on Spain to recognize Israel. To put it briefly, I believe that Calvo-Sotelo best represents the current crisis that Spain is experiencing--it is a crisis fraught with danger.

[Question] What do you think about Spain joining the Common Market?

[Answer] We agree with the Spanish government on the principle of joining the Common Market, but this does not mean that we would support joining the market at any price. We see Andalusia as a backward region compared to the rest of the Spanish regions. This is due to neglect and the capitalist economy. We are suffering from this policy which is prevalent in Spain, where developed regions exist at the expense of others. After we join the Common Market we would not in any way accept having Andalusia suffer from the existing policy of developing and evaluating regions at the expense of others. We know that development is fostered at the expense of backwardness, and we have doubts and concerns about Andalusia suffering, as the south of France is suffering, as a result of joining this market.

[Question] Where does your party stand on U.S. military bases in Spain? What would you think if the United States wanted to use the base for its own objectives in the Arab area?

[Answer] We are the only Spanish party in parliament that opposes the existence of U.S. military bases in Spain. I am saying the only one because neither the Labor Socialist party nor the Spanish Communist party opposes the existence of these bases. We are also opposed to extending the term for these bases. Naturally, if these bases are used by the United States for its objectives in the Arab area, we would oppose this and we would condemn an action of this kind just as we did condemn it in the past.

[Question] Have these bases been used in the past?

[Answer] Yes. They were used during the 1967 war for transporting military materials and spare parts.

[Question] To Israel?

[Answer] Yes, yes! They are of course ready for use at any moment to intervene in the Middle East.

[Question] Where do you stand on both the eastern and western camps?

[Answer] Our party is a party from the western world because Andalusia is part of that world. We are better than any other agency for forming a bridge between this western world and the Third World, especially with the Arab nation. We are fully aware of this role. When we call Latin America Spanish America because the Spanish people stayed in that continent for centuries, [we think we are entitled to that role since] we stayed with the Arab world many more centuries.

[Question] How do Andalusian socialists evaluate the Arab past in Andalusia?

[Answer] The Arab past in Andalusia is part of our history, and the Andalusian Socialist party has always called for uncovering this Andalusian Arab culture and giving it its due. We regard this past to be our common past with the Arab nation. We have a common culture, and we also have common interests, such as demilitarizing the Mediterranean area and keeping foreign military fleets away from it. We have called for and we are calling for the establishment of strong ties between Andalusia and the Arab nation. Through its occupation of Andalusia North Spain has many times tried to obliterate our past. Spanish history textbooks speak about regaining Andalusian land from the Arabs. We, however, consider this an occupation of Andalusia by North Spain, and we do not consider the matter to be a restoration of occupied land because we never believed that Andalusia was a colony of the Islamic world. This is because Andalusia at that time was a center for the Islamic world, and relations between the Arabs and Andalusia were not those of a colonialist and his colonies, but they were rather relations with the Andalusian people.

[Question] How would you evaluate relations between Andalusia and the Arab world and also between Spain and the Arab nation?

[Answer] It is of course quite well-known that Spain is a traditional friend of the Arabs. But Spain has been an impotent friend because it did not know what to do with this friendship, and it did not express it well. Our economic and commercial relations are not what they should be or what we would hope they would be. Political relations also fall short of what is desirable. At any rate, Spain was able to maintain its relations with the Arabs despite the differences in regimes. However, we have to make an effort to establish better relations, and we hope to further these

relations between Spain and the Arab nation. In my opinion the Spanish side has to liberate itself from its fear of Washington and turn towards furthering Hispanic-Arab relations. I believe that if Germany had the same historical ties with the Arabs, it would not have had Spain's fear and it would not have hesitated in establishing the best and the strongest of ties with the Arab world.

As far as Andalusian-Arab relations are concerned, it is our opinion that the Andalusian Socialist party is ready to form a bridge between the western world and the Arab world because we are the people who have absolutely the best awareness of the Arab problem in the West. This is due to the brotherhood that exists between us; it is due to the brotherhood that exists in our common history, in our common culture, in our geographical proximity and in the Mediterranean basin that ties us together.

[Question] How do you view Hispanic-Arab relations and the possibility of developing these relations between both sides?

[Answer] First, any foreign intervention in Spanish affairs by a super-power that would restrict or curb Hispanic-Arab relations must be prevented. Hispanic-Arab relations must be determined by Spanish interests themselves. This is what is most important. On the other hand these relations must not be affected by the fact that Spain is joining the Common Market.

Second, development of these Arab-Hispanic ties must be initiated in Andalusia itself. We in Andalusia must always affirm our common past with the Arab nation, and we must not be ashamed of it.

Third, trade with the Arab countries must be encouraged. This is very important.

[Question] Where do you stand on the establishment of diplomatic relations between Madrid and Tel Aviv?

[Answer] We oppose the establishment of such relations, and we oppose their establishment when they would damage our relations with the Arabs. Recognizing Israel would damage the rights of the Arabs themselves, especially since we are fully aware of the existing Arab question. In my opinion now that Germany, Britain, France and the other imperialist powers have established their inability to solve the Arab question, I do not believe that we will solve this question by recognizing Israel.

[Question] Where do you stand on the Palestinian Arab question?

[Answer] We are among the supporters of the Palestinian Arab question, and we support the just demands of the Palestinian people to regain their land and their homeland. We believe that the liberation organization is the legitimate representative of the Palestinian people, and we took part in the Arab People's Conference and in the Arab people's Palestinian question alongside the liberation organization.

[Question] What does the Andalusian Socialist party think of the Camp David accords which ignored the rights of the Palestinian people to establish their independent state on their land?

[Answer] We are opposed to these agreements because they were made behind the backs of the Arab people. Although Israel tried to win an Arab official over to its side, it failed to obtain the Arabs' support for these accords, and especially the support of the Palestinian people. We do not recognize the legality of these accords because they do not take into consideration the rights of the Palestinian people or the assent of the Arabs.

[Question] What does the socialist leader think of the Arab-European dialogue and Arab-western cooperation?

[Answer] The possibilities for cooperation between the Arab world and the west are numerous and abundant. These would come about through the west's recognition of Arabs' rights to defend their raw materials. It is ironical to see western circles express displeasure and protest whenever the Arabs increase their oil prices, but they don't make any noise or voice any protest when they themselves increase the price of medicines which are manufactured in the west and consumed by the Third World. I think it would be appropriate to launch awareness, educational and information campaigns between these two worlds that have an interest in [mutual] understanding and cooperation. In my opinion the Arab world needs something fundamental: unity. Without unity between its countries and its citizens it will not be able to do anything. Only with unity can the Arab world confront imperialism and its dangerous plans.

[Question] Why does your policy favor the Arabs? Why do you have reservations towards the west, not to mention keeping your distance from it?

[Answer] No. We consider ourselves part of the western world, and within that western world we constitute the bridge between the Arabs and the west. This is because the Arabs who remained 8 centuries in Andalusia left an Islamic culture of which we are all proud. I repeat, we are part of the west, and we want to serve humanity by playing the unique role which we can play. We do not reject the western world, but we do reject the methods that it usually employs with the Arabs--these worn-out imperialist methods. We are sensitive to these methods because of our relations with the Arab world; because we understand that world; because we are close to it and because we understand Arabic culture. On the other hand, there is something else that ties us to the Arab world: we are part of the developing countries. Hunger, poverty, unemployment and illiteracy can be found in Andalusia, and these diseases are not found in Germany or in Catalonia in North Spain.

[Question] Can we consider the Andalusian Socialist party a Spanish party characterized by a policy towards the Third World?

[Answer] The subject has been raised in Spanish circles many times, and a big issue was made over it. It is true that our party is the only party in

the Spanish parliament that understands and champions the issues of the Third World. I do not want to impair the rights of others because the communist party has its relations with the European Communist party and with the Soviet Communist party as well, despite interim obstacles. The Spanish Labor Socialist party also has relations with international socialism. This is perfectly clear, and I believe that we have the best understanding of Third World questions. We are not a Third World party because we are an Andalusian party in European Spain. However, there are some political forces in parliament who, in their failure to contend with us, claim that we are a Third World party.

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PROBLEMS CONNECTED WITH UPGRADING NUCLEAR CAPABILITIES

Bonn WEHRTECHNIK in German Aug 81 pp 15-16

[Article by Dr Walther Stuetzle, director, Ministry of Defense Planning Staff:
"Arms Modernization — Why?"]

[Text] A concern for the future of peace has for months marked the sometimes passionate public debate over arms modernization. Dr Walther Stuetzle, director of the Defense Ministry's Planning Staff, examines the uncertainties surrounding the arms modernization decision and demonstrates the necessity of the proposed moderate upgrading of weaponry designed to maintain a balance. Despite our government's appeal to the Soviet Union to discontinue the process of modernization and numerical expansion of medium-range atomic weapons that has been going on since 1976, the Soviet leaders have not halted this arms buildup. Even the Soviet Union must realize that its weapons buildup is causing us deep concern and forcing us to make decisions on countermeasures.

Basic Position

The aim of our policy is the preservation of freedom and peace. To us, freedom means respecting the dignity of a human being, safeguarding human rights and achieving justice and social progress for each individual citizen, free of the threat of external political pressure. The Basic Law insists on this. Communism and a constitutional democracy are mutually exclusive. Consequently, we must protect our social order while attempting to come to an agreement covered by treaty with our neighbors to the east.

The struggle for peace is being overshadowed by the question of whether mankind is still capable of containing the forces of destruction that are supposed to prevent another war. Concern for the future of peace has for months marked the sometimes passionate public debate. The catch phrase is "arms modernization" and the question is "Why?"

But a comprehensible answer can be found only by one who directs his gaze beyond the narrow SS-20 and Pershing II debate in search of the history behind it.

In 1967, the Atlantic Alliance made the two basic decisions on the alliance's overall political concept and defense strategy that have remained in effect up to the present: "Defense and detente" is the dual political concept developed in the Harmel Report, and "flexible response" is the strategy for defense. A credible defense has served since that time as a foundation for the policy of detente which bears the decisive stamp of the Federal Republic of Germany. And a credible defense since that time has meant having to be able to repulse any potential attack with comparable means. It also has the following meaning in concrete terms: Anyone who possesses medium-range weapons has to know that it is not in his interest to threaten the alliance with them, because it would be capable of responding with the same means.

Balance of Power and Medium-Range Problem

Three phases have characterized the balance of military power between East and West during the past 20 years. In the 1950's, the United States was able to offset the superiority of the Warsaw Pact states in conventional forces with marked superiority in atomic weapons. America's atomic superiority gave credibility to the threat of "massive retaliation" — a massive response to any attack on the Atlantic Alliance with atomic weapons.

The Soviet Union closed the nuclear weapons gap during the 1960's. The threat that America would respond with atomic weapons to any attack was no longer credible. The Atlantic Alliance agreed in 1967 on the new strategy of flexible response. Its basic element is a deterrent to war based on NATO's ability to react to attack using those weapons that would be used against it in such an event, so winning is not possible. This means that Warsaw Pact superiority in conventional forces is no longer offset by NATO superiority in atomic weapons. This conventional superiority must also be countered by NATO's own strong conventional defense capability. It is recognized that the FRG with its Bundeswehr [Federal Armed Forces] is making a substantial and effective contribution here.

The nuclear balance of power was characterized by one fact in particular during the 1960's: The Soviet Union had at its disposal about 60 medium-range atomic weapons capable of reaching targets in Western Europe but not in America. For its part, the United States enjoyed clear superiority in intercontinental missiles, which offset the Soviet Union's medium-range superiority.

The 1970's brought a decisive change in the case of these medium-range weapons. The Soviet Union achieved parity in intercontinental missiles. But at the same time the Soviet Union retained its superiority in medium-range weapons. It even began building a new generation of weapons: SS-20 missiles and Backfire bombers. The number of warheads available for use against the European part of NATO was thus drastically increased.

This superiority of the Soviet Union in the area of medium-range nuclear weapons is a significant problem. The reason is that these weapons are included neither in negotiations in Vienna, where the issue is the reduction of conventional forces in Central Europe (MBFR), nor in the American-Soviet negotiations on limiting strategic nuclear weapons systems (intercontinental missiles and bombers — SALT negotiations). Developing out of this "gray area" between SALT and MBFR was the problem of medium-range missiles.

The Goal: Safeguarding Peace

With its ostpolitik the FRG has been instrumental in safeguarding peace in Europe. At the heart of this policy is the renunciation of force, but this must also be expressed in the balance of military power between East and West. In other words, the renunciation of force and superiority in terms of military forces do not go together. Tremendously important in this regard are the efforts at limiting and reducing arms. But a policy of peace can be successful only if grounded in reality, and the reality is that the Soviet Union and the United States possess a large number of nuclear weapons of all types and that all attempts to get rid of these nuclear weapons have failed thus far. In March 1977, American President Jimmy Carter proposed to the Soviet Union that both sides reduce their intercontinental nuclear weapons to 1,800 systems each. The Soviet Union refused. A major opportunity to reduce nuclear weapons arsenals, to disarm, was thus foiled by the Soviet Union.

The safeguarding of peace consequently depends upon the fact that nuclear weapons present for any aggressor the danger of risking his own annihilation. This is deterrence. We Germans have to have a special interest in avoiding war. Only in this way can we succeed in lessening the still considerable grief remaining from the last war, above all the fateful division separating the two parts of Germany. In 1954, we voluntarily, definitively and unilaterally renounced atomic, biological and chemical weapons. This renunciation was further reinforced in 1969 by our signing of the treaty designed to prevent the proliferation of nuclear weapons. Since, however, protection against a nuclear-armed state like the Soviet Union is not possible without one's own nuclear weapons — but, on the other hand, we Germans did not want any — we placed ourselves entirely under the protective umbrella of the United States. Considering the risk to its own existence, America has always performed this protective function in a credible manner. Only in this way could the security of Berlin have been maintained, precisely during the especially difficult years of crisis from 1958 to 1962.

Preservation of this protective U.S. nuclear umbrella is also involved when it comes to arms modernization using medium-range nuclear weapons.

A function of our policy is to avoid renewed arms buildups and to reduce existing armaments. It is for this reason that Chancellor Helmut Schmidt and Foreign Affairs Minister Genscher in particular have taken every opportunity to make repeated urgent appeals to Soviet political leaders to halt the process of modernization and numerical expansion of medium-range atomic weapons that has been going on since 1976. In the event that this was not done, NATO would be forced to upgrade its arsenal. Despite all attempts and forceful statements, however, the Soviet leadership has not stopped this arms buildup, not even after its declared renunciation of efforts to gain military superiority — as stated in the German-Soviet declaration dating from May 1977. On the contrary: It has continued to arm while declaring that it will conduct no negotiations of any kind if NATO modernizes its arsenal. In other words, the Soviet Union intended to retain its superiority in medium-range atomic weapons. So in December 1979, NATO had no choice but to pass the two-part resolution: arms modernization coupled with the offer of arms control negotiations.

NATO would otherwise have exposed itself to the danger of losing military credibility and leaving itself open to political extortion.

The NATO decision has made three things quite clear:

NATO wants by all means to avoid a new arms buildup by virtue of its willingness to limit arms. It is for this reason that it has offered its weapons systems as points of negotiation even before they have been produced and positioned. There can be no better evidence that we want security at a lower level of armament, not a higher one;

The figure 572 shows that NATO is not seeking numerical parity with the Soviet Union. Otherwise it would have had to decide on not 572, but nearly 1,500 new warheads on a correspondingly large number of missiles. This is the number of warheads which, according to present information, the Soviet Union will have positioned on its SS-20 missiles once its program is concluded at the end of 1982. Moreover, it is retaining a substantial number of its old SS-4 and SS-5 weapons, even though its stated intention was to replace the SS-4's and SS-5's with SS-20's. So the fact is that the Soviet Union will have concluded a substantial expansion of its medium-range atomic potential before even a single new American medium-range nuclear weapon can be positioned in Europe starting at the end of 1983;

The opportunity still exists to influence arms modernization by way of the outcome of American-Soviet negotiations. At best, an appropriate negotiating result might even obviate the necessity for modernization. Considering its advance arms buildup, it is mainly up to the Soviet Union to determine whether this ideal goal can be achieved. No one can release it from this responsibility — not even propaganda to the contrary, no matter how clever it is.

Points of Orientation

The success or failure of the upcoming negotiations on medium-range nuclear weapons will depend essentially on the ability of the negotiating partners to comprehend each other's security interests. Just as we must not underestimate the Soviet Union's fear of encirclement or its memories of 22 June 1941, so must the Soviet Union understand that its uninterrupted arms buildup over the last decade, its obvious superiority in terms of conventional forces and medium-range nuclear weapons, as well as its use of weapons for the purpose of expansive political aims (Afghanistan), has caused us deep concern and forced us to make decisions on counter-measures (arms modernization). The real political problem is marked less by the existence of SS-20 missiles than by the persistent Soviet refusal or inability to understand and take seriously our concerns over security.

Why, prior to NATO's decision to modernize its nuclear arsenal, did the Soviets disavow any possibility of negotiation in the event the decision was made? Why did several months have to go by before the chancellor and his foreign minister succeeded in the summer of 1980 in convincing them of the necessity of negotiations?

Negotiations are better than an arms race — but arms modernization is better than inferiority coupled with the danger of susceptibility to political extortion. That would mean the end of the policy of peace.

The narrow SS-20 debate must again be placed in this broad context in the domestic policy debate. This will constitute a political leadership task of the highest order for the political parties. The Hamburg Church Congress should finally have made this clear to everyone. The main thing is to establish points of orientation: The two-part NATO resolution of December 1979 did not signal the start of a new age of nuclear weapons. Rather, the Soviets' advance arms buildup is forcing us to enter a new — admittedly very difficult — period in our efforts toward detente, arms limitation and arms reductions. There is no security for us without North America, our political partner, and without the United States, our nuclear protector. We are partners in an alliance of states with the same values, and we cannot start all over again from the postwar zero mark with our foreign and security policies. Germany completely gambled away its unrestrained freedom of action in the foreign policy sphere for a long time to come when it unleashed World War II. For us, neutralism does not even rate as highly as a concrete utopia.

A final note: Anyone who says "better red than dead" — possibly for very respectable reasons — cannot at the same time admire the measured courage of the Poles.

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DATA PROCESSING IN FRG ARMED FORCES

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[Article by Ministerial Counselor Gert Martin, department head for data processing policy, Data Processing Group, FRG Ministry of Defense Organizational Staff: "Data Processing in the Bundeswehr"]

[Text] Data processing [EDP] is an opportunity for our economy to activate its intelligence so as to be able to make economical use of resources that are becoming more scarce and thus more expensive. Up to a certain point, other resources can be substituted by way of better disposition in the operational sense -- or "command," as they say in the armed forces. The Bundeswehr [Federal Armed Forces] has been taking advantage of this opportunity for a long time. Technical progress, increasing know-how and a declining cost-benefit ratio are opening up still more fields of application for data processing and offering opportunities for the intensification of the many techniques now being employed. The following discussion of EDP in the Bundeswehr was written by Ministerial Counselor Gert Martin, department head for data processing policy with the Data Processing Group of the FRG Ministry of Defense Organizational Staff.

The Bundeswehr is one of the largest data processors in Europe. It is difficult to determine the exact scope. From the personnel standpoint, it is apparent that many members of the Bundeswehr are performing EDP functions on the side; this practice is on the increase because, as a result of the integration of data processing into command, management and operations processes, the user is being given more and more opportunities to have EDP at his disposal either on the job or in his immediate vicinity. From the standpoint of machine capacities, it is no longer merely a question of those located at large computer centers. These centers plus the machines with more or less independent processing capabilities available to the user on the job or wherever he is located constitute the scope of data processing. This trend will intensify in line with the potential contained in mini- and microcomputers.

Noteworthy in this regard is that the quantitative and qualitative capability of the interaction among EDP hardware, software and telecommunications facilities has still not been adequately appreciated in terms of its effect on the scope of EDP. But much will depend on the productivity of the network in the future.

To avoid making the scope of this article too broad, data processing is defined here as not including office computers and word processors, minicomputers, process computers — insofar as they are integrated in the user's scientific-technical operations — and computers in weapons systems.

Organizational Principles

Data processing by the Bundeswehr was reorganized under the EDP blanket order dating from 1973. The system was organized on the basis of the following principles:

Consumer/supplier principle;

Relationship based on the dialogue principle; i.e., the consumer must convince the supplier of the need for his request, and the supplier must make the solution plausible to the consumer;

To organize as much expertise as possible for the request while keeping practicability in mind, study groups or ad hoc work groups are set up to do the preliminary phase work for larger-scale EDP projects;

During the development of large EDP projects and those particularly in need of coordination, a special EDP management body sees to it that lines of communication between consumer and supplier are assured without delay. This is designed to bring about early detection of weak spots in project development, and initiative on the part of managers designated by name is supposed to start corrective action through responsible channels.

Not yet established is the occasionally requested EDP management body for the utilization phase of EDP procedures;

Technical information systems are generally differentiated from command information systems. The former are designed essentially to support the general functions of the armed forces and the Bundeswehr's administrative branch, functions which can be grouped under structure, maintenance and further development of the Bundeswehr.

Command information systems mainly serve the tactical, operational and strategic command of units, divisions and weapons systems as well as alert and mobilization commands for these groups;

In the case of technical information systems, the supplier (central EDP sector) does the developing, planning, procuring and operating;

With command information systems, the supplier (defense sector) is responsible for development and procurement; the EDP systems are programmed and operated by the military consumer;

Special regulations permit supply functions to be transferred to the consumer within certain limits;

Computers in schools are procured by the central EDP sector and operated as a rule by the school;

Computers for scientific-technical defense tasks and those located at nonmilitary institutions with similar responsibilities are procured by the defense sector. The machines are operated by the testing departments or the institutions themselves;

In the case of supplies, the functions of planning, control and inspection are performed at the ministerial level. EDP organization, programming and testing are generally assigned to central offices; the machine work is done in computer centers at the local level or wherever the military user is located;

EDP project priorities are set by a Defense Ministry EDP subcommittee made up largely of consumers. A quantifying priority model exists for the technical information systems. Given an increasing scarcity of funds, this model will become more and more important to the distribution of capacities;

A central EDP facility is to be responsible for policy and coordination.

There are those who are demanding that this 8-year-old organizational scheme be brought up to date, since a number of new functions have emerged and EDP has undergone technological changes. Some of these ideas are bent on tightening up the system in terms of organization, while others seek to decentralize data processing in some way.

A new system does not recommend itself automatically because of the different possibilities for organizing all the different basic functions — such as data collection, transmission, storage, processing, the output and representation function, organizing and programming, alteration and maintenance and cross-section and policy tasks. Added to the economic considerations are the military exigencies that of course have to take precedence in an armed forces organization.

Conceptions

In 1975, a Defense Ministry panel subordinate to the armed forces command staff drafted the "Conception for Computer-Based Information Systems." The document establishes categories, sets overall guidelines and comments on the relationship between technical information systems and command information systems.

This paper calls for the first time for the development of "information draft plans." Strictly speaking, these draft plans come long before any coverage of EDP demand; it is obvious, however, that they constitute an important basis of orientation for consumers and suppliers. Like draft plans for personnel and materials, those for information are supposed to provide a rough structure for the important "information" command factor, so that the strengths and weaknesses of the existing information supply system may be recognized. It should thus be possible to design future information systems to be more functional.

The point of departure here is that the military command function for units on maneuvers and in action is to be represented within the framework of the military organization; all other functions of the Bundeswehr, together with its information needs and information flow, are to be represented nonorganizationally according to separate functions (personnel, supplies, for example).

The reason for choosing this unusual structure lies in the knowledge that information systems as a rule extend beyond the bounds of organizations and should not circumscribe the organization unnecessarily through their inherent inertia.

Information plans with different accents exist in the form of drafts and will serve as bases for decisions. The plan is to better coordinate them with one another and to continue work on them.

Another conception reviews the central EDP sector's present thoughts regarding the locations of its 20 computer centers. Besides the profitability aspects, strategic military considerations play a major role in this "Location Conception." Because of the personnel and infrastructure implications, it can be considered only as a basis for long-range prospects.

Joint Regulating Mechanisms

"EDP Implementing Regulations" to the blanket EDP order regulate the responsibilities and collaboration of parties to the development of EDP projects. They also specify the structure of the decision documents which conclude the individual phases of the development process or inaugurate the next phase. Organization 1 of the Defense Ministry's Organization Department is the supervisory body.

The so-called "EDP Guidelines" (Fig. 1 [not reproduced]) are related to these regulations (which are already in need of revision).

They regulate the technical aspects of this technically complicated subject. The EDP Guidelines are strictly functional and designed to be independent of structural/organizational changes. Only technical EDP criteria and those pertaining to methods and systems lead to modifications (in loose-leaf form). The EDP Policy Department's EDP 1 is the supervisory body.

Bundeswehr Complement of Data Processing Personnel

Disregarding the personnel who work in data processing but are classed under other main job categories from an organizational standpoint, the Bundeswehr has the following EDP billets at present: (Fig. 2 [not reproduced]) A few remarks with regard to the figures: The defense sector has hitherto almost exclusively employed private companies for its organizational and programming work in the field of military command systems. The central EDP sector does this only on a small scale. Budget cuts in both sectors will have the effect of reducing productivity, particularly in the defense sector. But the central EDP sector's ability to take on new tasks will also be reduced substantially, because each new EDP procedure requires a maintenance and alteration outlay of between 30 and 50 percent for its use. The basic types of computing are sufficient to determine the point at which nothing more can be done.

If new billets are not to be had, and if the potential for rationalization has been exhausted through new methods, the only alternative is to shift more of the functions to the user. There will then be a broader base of EDP training tasks, ultimately resulting in manpower for data processing work. The organizational and budget experts will have to move purposefully in this direction so that it will not happen independently, with the result that they will one day find themselves in another undesirable situation.

I should like to add a further note on the central EDP sector's data collection efforts. Six document scanners will increase the number of characters gathered by about 80 percent.

Bundeswehr Complement of Data Processing Machines

Fig. 3 [not reproduced] shows the Bundeswehr's computer inventory, modeled after the Diebold statistics classification system. "Process computers" are defined in such a way that they include all computers that the user has in operation in a technical or weapons-system environment. Since this means a great variety, and in some instances militarized computers, only the number of units is given. The so-called universal computers are grouped into value categories in accordance with the Diebold system. Only limited conclusions can be drawn as to the productivity of the computers listed under value categories, because an older computer with a meanwhile relatively small output is ranked in a high value class (the TR 440, for example), and modern, less expensive but productive computers (the 4341 or the 7.521, for example) have to be rated lower.

The chart [Fig. 4 — not reproduced] clearly shows how the productivity of the computers installed in the central EDP sector has developed in comparison with the sector's total capital investment. (In this regard, the author is well aware of the doubts about the MIPS scale — million instructions per second — as a measure of processing capacity).

Applications Within the Framework of Technical Information Systems

Task after task has been shifted to data processing since 1956. In the process there has been a complete change from the initially more secondary support function to an integrated work flow. This has sharply increased demands on availability and speed.

After the initial artificial isolation of the user resulting from stack processing in the distant computer center, the new long-distance data transmission capabilities and cost/benefit ratios provide the opportunity to make computer support operations available at the user's workplace. This trend is also obvious with technical information systems and has led to a number of modern EDP procedures. The decentralized arrangement of the Bundeswehr's computer centers accommodates this necessity.

In general, the central EDP sector's computer capacities are distributed over the following main application blocks (measured in computer hours for electronic computers):

Data Processing in Training

The emphasis on training is naturally very big in the armed forces. Both suppliers and consumers are trying very hard to halt the decline of knowledge that technical progress is causing and, what is more, to keep ahead of it in order to accumulate a pool of knowledge.

In addition to a number of training facilities that also use computers for computer-based EDP instruction, the Bundeswehr's academies and advanced schools are expanding their training courses.

The advanced schools have electronic computers and process computers for use in research and teaching. The Bundeswehr's advanced school in Munich is training information technicians that are urgently needed by the armed forces.

Despite all the Bundeswehr's own efforts, it can offer special courses either not at all or only once in a while. In these instances it takes advantage of industry's training offers. Unfortunately there is not enough budget money available for this.

A draft plan for training is being developed for data processing. It will structure the content of training and coordinate the different EDP occupational groups.

Conclusion

Machine data processing had been employed by the armed forces even before the war. Since 1956, the Bundeswehr has made increasing use of EDP. Its use has become a matter of course in the case of many tasks performed by the armed forces and the Bundeswehr administrative branch; without it, either it would no longer be possible to do the job or substantial cuts would have to be made. To that extent the armed forces are doing what industry has done.

This decision involves consequences: The fact that data processing has laws of its own must be taken into consideration by the user in his operations if profitability or effectiveness are not to be reduced unnecessarily, and data processing in the Bundeswehr must be able to keep pace with the uncommonly rapid technical progress in this field in terms of equipment, methods and personnel.

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